Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

Kaiser Permanente Medical Care Program Oral History Project

George E. Link

HISTORY OF THE KAISER PERMANENTE MEDICAL CARE PROGRAM

An Interview Conducted by
Malca Chall
1985

GEORGE E. LINK

San Francisco Chronicle,
San Francisco, California
April 14, 1987

George L. Link

George L. Link, an attorney and member of the boards of directors of Kaiser Foundation Health Plan Inc. and Kaiser Hospitals, died Saturday at the Kaiser Hospital in Walnut Creek after a long illness. He was 69.

Mr. Link was instrumental in establishing the legal framework for the structure of the Kaiser Permanente medical care program.

He was a retired partner of the San Francisco law firm of Thelen, Marrin, Johnson & Bridges and was considered an authority on corporate tax law. After earning his law degree at the University of California's Hastings College of Law, he served as an attorney for the Internal Revenue Service from 1941 to 1944.

He served in the Army infantry in World War II before joining Thelen, Marrin, Johnson & Bridges in 1946, when he began providing legal counsel to the enterprises founded by industrialist and philanthropist Henry J. Kaiser.

He was elected to the boards of directors of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals in 1956. Mr. Link also served on the boards of directors of Kaiser Industries Corp. and Kaiser Steel Corp.

He is survived by his wife, Thea; two sons, Jonathan of Alaska and Russell of Davis; two daughters, Barbara Durigan of Mendocino and Mary Means of Seattle; a stepdaughter, Beth Bordsen of San Francisco, and eight grandchildren.

Funeral services will be private. The family asked that contributions be sent to the charity of the donor's choice.

Kaiser Permanente Medical Care Program

Interviews to be Completed in 1986

Cecil C. Cutting, M.D.
Frank C. Jones
Raymond M. Kay, M.D.
Clifford H. Keene, M.D.
George E. Link
Ernest W. Saward, M.D.
John G. Smillie, M.D.
Eugene E. Trefethen, Jr.
Avram Yedidia

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PREFACE

Background of the Oral History Project

The Kaiser Permanente Medical Care Program recently observed its fortieth anniversary. Today, it is the largest, one of the oldest, and certainly the most influential group practice prepayment health plan in the nation. But in 1938, when Henry J. and Edgar F. Kaiser first collaborated with Dr. Sidney Garfield to provide medical care for the construction workers on the Grand Coulee Dam project in eastern Washington, they could scarcely have envisioned that it would attain the size and have the impact on medical care in the United States that it has today.

In an effort to document and preserve the story of Kaiser Permanente's evolution through the recollections of some of its surviving pioneers, men and women who know and remember vividly the plan's origins and formative years, the Board of Directors of Kaiser Foundation Hospitals sponsored this oral history project.

In combination with already available records, the interviews serve to enrich Kaiser Permanente's history for its physicians, employees, and members, and to offer a major resource for research into the history of health care financing and delivery, and some of the forces behind the rapid and sweeping changes now underway in the health care field.

A Synopsis of Kaiser Permanente History

There have been several milestones in the history of Kaiser Permanente. One could begin in 1933, fifty-three years ago, when young Dr. Sidney Garfield entered fee-for-service practice in the southern California desert and prepared to care for workers building the Metropolitan Water District aqueduct from the Colorado River to Los Angeles. Circumstances soon caused him to develop a prepaid approach to providing quality care in a small, well-designed hospital facility near the construction site.

The Kaisers learned of Dr. Garfield's experience in health care financing and delivery through A. B. Ordway, Henry Kaiser's first employee. When they undertook the Grand Coulee project, the Kaisers persuaded Dr. Garfield to come in 1938 to eastern Washington State, where they were managing a consortium constructing the Grand Coulee Dam. Dr. Garfield, and a handful of young doctors whom he persuaded to join him, established a prepaid health plan at the damsite, one which later included the wives and children of workers, as well as the workers themselves.

A few years later, during World War II, Dr. Garfield and his associates--some of whom had followed him from the Coulee Dam project--continued the health plan, again at the request of the Kaisers, who were now building Liberty Ships in Richmond, California, and on an island in the Columbia River between Vancouver, Washington and Portland, Oregon. They would also produce steel in Fontana, California. Eventually, in hospitals and field stations in the Richmond/Oakland communities, in the Portland, Oregon/Vancouver, Washington areas, and in Fontana, the prepaid health care program served some 200,000 shipyard and steel plant employees and their dependents.

By the time the shipyards shut down in 1945, the medical program had enough successful experience behind it to motivate Dr. Garfield, the Kaisers, and a small group of physicians to carry the health plan beyond the employees of the Kaiser companies and offer it to the community as a whole. The doctors had concluded that this form of prepaid, integrated health care was the ideal way to practice medicine. Experience had already proven the health plan's value in offering quality health care at a reasonable cost in the organization's own medical offices and hospitals. Many former shipyard employees and their families also wanted to continue receiving the same type of health care they had known during the war.

Also important were the zeal and commitment of Henry J. Kaiser and his industry associates who agreed with the doctors about the program's values, and despite the antagonism of fee-for-service medicine, were eager for the success of the venture. Indeed, they hoped it might ultimately be expanded throughout the nation. In September, 1945, The Henry J. Kaiser Company established the Permanente Health Plan, a nonprofit trust, and the medical care program was on its way.

Between 1945 and the mid-1950s, even as membership expanded in California, Oregon, and Washington, serious tensions developed between the doctors and the Kaiser-industry dominated management of the hospitals and health plan. These tensions threatened to tear the Program apart. Reduced to the simplest form, the basic question was who would control the health plan--management or the doctors. Each had a crucial role in the organization. The symbiotic relationship had to be understood and mutually accepted.

From roughly 1955 to 1958, a small group of men representing management and the doctors, after many committee meetings and much heated debate, agreed upon a medical program reorganization, including a management-medical group contract, probably then unique in the history of medicine. Accord was reached because the participants, despite strong disagreements, were dedicated to the concept of prepaid group medical practice on a self-sustained, nonprofit basis.

After several more years of testing on both sides, a strong partnership emerged among the health plan, hospitals, and physician organizations. Resting on mutual trust and a sound fiscal formula, the Program has attained a strong national identity.

The Oral History Project

In August 1983, the office of Donald Duffy, Vice President, Public and Community Relations for Kaiser Foundation Health Plan and Hospitals, contacted Willa Baum, director of the Regional Oral History Office, about a possible oral history project with twenty to twenty-four pioneers of the Program. A year later the project was underway, funded by Kaiser Foundation Hospitals' Board of Directors.

A project advisory committee, comprised of seven persons with an interest in and knowledge of the organization's history, selected the interviewees and assisted the oral history project as needed. Donald Duffy assumed overall direction and Darlene Basmajian, his assistant, served as liaison with the Regional Oral History Office. Committee members are John Capener, Dr. Cecil Cutting, Donald Duffy, Robert J. Erickson, Scott Fleming, Dr. Paul Lairson, and Walter Palmer.

By year's end, ten pioneers had been selected and had agreed to participate in the project. They are Drs. Cecil Cutting, Sidney Garfield, Raymond Kay, Clifford Keene, Ernest Saward, and John Smillie, and Messrs. Frank Jones, George Link, Eugene Trefethen, Jr., and Avram Yedidia.

Plans to interview Dr. Garfield and Dr. Wallace Neighbor, who had been at Grand Coulee with Dr. Garfield, were sadly disrupted by their deaths, a week apart in late 1984. Fortunately, both men had been previously interviewed. Their tapes and transcripts are on file in the Central Office of the medical care program.

The advisory committee suggested 1970 as the cutoff date for research and documentation, since by that time the pioneering aspects of the organization had been completed. The Program was then expanding into other regions, and was encountering a new set of challenges such as Medicare and competition from other health maintenance organizations.

Research

Kaiser Permanente staff and the interviewees themselves provided excellent biographical sources on each interviewee as well as published and unpublished material on the history of the Program. The collected papers of Henry J. Kaiser on deposit in The Bancroft Library were also consulted. The oral history project staff collected other Kaiser Permanente publications, and started a file of newspaper articles on current health care topics. Most of this material will be deposited in The Bancroft Library with the oral history volumes. A bibliography is attached.

To gain additional background material for the interviews, the staff talked to four Kaiser Permanente physicians, two of whom had left the program years ago: Drs. Martin Abel, Richard Geist*, Emphraim Kahn*, and James Smith*.

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*Tapes of these interviews have been deposited in the Microforms Division of The Bancroft Library.

The staff also sought advice from the academic community. James Leiby, a professor in the Department of Social Welfare at UC Berkeley and an advocate of the oral history process, suggested lines of questioning related to his special interest in the administration of and relationships within public and and private social agencies. Dr. Philip R. Lee, professor of social medicine and director of the Institute for Health Policy Studies at the University of California Medical School, proposed questions concerning the impact of health maintenance organizations on medical practice in the United States.

Organization of the Project

The Kaiser Permanente Oral History Project staff, comprised of Malca Chall, Sally Hughes, and Ora Huth, met frequently throughout 1985 to assign the interviews, plan the procedures and the time frame for research, interviewing, and editing, and to set up a master index. Interviews of the first nine pioneers took place between February and June, 1985. During the following months the transcripts of the tapes were edited, reviewed by the interviewees, typed, proofread, indexed, copied, and bound.

Other pioneers who, at the time of this writing, have agreed to participate in the project are: Drs. Morris Collen, Wallace Cook, Alice Friedman, Benjamin Lewis, Sam Packer, Bill Reimers, Harry Shragg, and David Adelson, Lambreth (Handy) Hancock, Berniece Oswald.

The entire series will be completed during 1987.

Summary

This oral history project traces, from various individual perspectives, the evolution of the Kaiser Permanente Medical Care Program from 1938 to 1970. Each interview begins with a discussion of the individual's family background and education--those tangible and intangible forces that shaped his or her life. The conversation then shifts to the interviewee's actual participation in and observation of the significant events in the development of the health plan. Thus, the reader is treated not only to facts on the history of the Program, but to opinions about the personal qualities of the men and women--doctors, other health care professionals, lawyers, accountants, and businessmen--who, often against great odds, dedicated themselves to the development of a health care system which, without their commitment and skills, might not have resulted in the human and organizational achievement that the Kaiser Permanente Medical Care Program represents today.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the director of The Bancroft Library.

Malca Chall, Director
Kaiser Permanente Medical Care Program
Oral History Project

14 January 1986
Regional Oral History Office
Berkeley, California

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INTERVIEW HISTORY

George E. Link has been a member of the board of directors of the Kaiser Foundation Health Plan/Kaiser Foundation Hospitals since 1955. Prior to that year, however, as a tax attorney with the law firm Thelen, Marrin, Johnson, and Bridges, he had become acquainted with many Kaiser industry people and the health plan because the Kaiser organization was one of the firm's major corporate clients.

In April 1955, Mr. Link became a member, representing management, along with Henry J. Kaiser, Sr., Edgar Kaiser, and Eugene Trefethen of the ad hoc medical program's Working Council. The council was comprised of representatives of physicians and management who met regularly for several months attempting to establish a mutually satisfactory organizational structure for the health plan, at that time undergoing internal stresses threatening its future.

Cognizant of the rationale behind management's position, Link also understood the concerns of the doctors:

> It [the final contractual agreement] could never have worked out in my judgment, any differently than it did, or it would have failed. But it's easy to perceive why they [doctors] felt this was their organization and, by gosh, you fellows shouldn't be monkeying around with it in any way.
>
> One of the essential problems I think Mr. Kaiser, as well as Gene Trefethen, had was a failure to recognize the doctors' professionalism and pride. I told you earlier that doctors are trained the wrong way, but that is a different subject. They do have a great deal of the sense that whatever they do is the right way to do it, and the right thing to do. They have to feel that way; they're telling people about their lives all the time. So, maybe that's characteristic of them.

George Link's recollections of issues, meetings, and personalities and his account of the legal and administrative skills needed to bring about the present organizational structure of the health plan, provide fascinating insight into the pioneering years of the medical care program. In addition, as a member of the board of directors and of the key Quality of Care and Facilities committees, he has seen the gradual change in board membership from predominately Kaiser industry people to prominent national figures. He is also aware of how changing concepts in medical care affect future planning for the hospitals and health plan.

Born and educated in Pasadena, California, the son of modest, middle-class parents of German background, George Link decided, while in high school, to study law rather than join his father in the house-painting business.

After working his way through two years of undergraduate studies at the University of California at Berkeley, and another three at the Hastings College of the Law in San Francisco, he decided to specialize in tax law. In 1941, he went to work in the Washington, D.C. office of the chief counsel of the IRS where he became acquainted with partners of Thelen Marrin. After a year's stint with the United States Infantry, he accepted an invitation to join the firm, where he remained from 1946 until his retirement in December 1982.

We held two two-hour interview sessions at Mr. Link's home in Rossmoor, a retirement community in Walnut Creek, California. With tape recorder and notes spread out on the diningroom table we began, on February 27, 1985, by pinpointing his associations with the health plan. After approximately an hour's conference we began to record. On March 11, we completed the oral history.

In a quiet, thoughtful manner, occasionally acknowledging that his recollections were hazy, Mr. Link offered an analysis of events and people one might expect of an attorney experienced in the careful handling of facts. He has, thereby, added to the growing historical background of the Kaiser Permanente Medical Care Program.

Malca Chall
Interviewer-Editor

4 December 1985
Regional Oral History Office
University of California at Berkeley

BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name GEORGE EDWARD KINIC

Date of birth MAY 11, 1911 Place of birth PASADENA, CALIF

Father's full name GEORGE KINIC

Birthplace GERMANY

Occupation BREWER

Mother's full name AMANDA OSSING

Birthplace WISCONSIN

Occupation —

Where did you grow up ? PASADENA CALIF

Present community WALNUT CREEK, CALIF

Education PASADENA PUBLIC SCHOOLS THROUGH HIGH SCHOOL, 2 YEARS UNIV. OF CALIF AT BERKELEY, GRADUATED FROM HASTINGS COLLEGE OF LAW, S.F. WITH J.D. DEGREE

Occupation(s) ATTORNEY

Special interests or activities

I FAMILY BACKGROUND AND EDUCATION

[Interview 1: February 27, 1985]##

Chall: What I need to know first of course, is where you were born and when.

Link: I was born in Pasadena, California, May 17, 1917.

Chall: What were your parents doing in Pasadena?

Link: My father was an immigrant from Germany.

Chall: I see. Had he come over himself without anybody?

Link: He had a brother over here whom he joined, but he did not come with his family. My mother was born in Wisconsin, but she was also of German parentage. My father was a house painter. He was fortunate to have a job as the painter for the Pasadena city schools. During all the time I was growing up, he always had a job.

Chall: Did he come directly from Germany to California?

Link: Yes, his brother had a grocery store and a bakery in Pasadena. He'd come over a number of years before, so he had a place to come to.

Chall: In what year? Do you know what year he came in?

##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 66.

Link: I would be guessing I think, but I would guess 1910 or thereabouts.

Chall: I see, which means he must have married your mother shortly after that and started a family.

Link: Yes. Started a family. My first sister was born in 1912.

Chall: Your mother's family, how did they happen to be, or how did she happen to be in Pasadena?

Link: My grandmother, she was a good Methodist, but she had three husbands.

Chall: Did they all die?

Link: One of them died, and the other one turned out to be a real bum whom she divorced. Her final husband was a bit older than she was and he was retired, so they moved to California on a retirement basis.

Chall: Your mother was a housewife I take it.

Link: Yes. Before she was married she was a seamstress, but I have no memory at all of her doing work after. When we were growing up, she was always at home.

Chall: That was the accepted pattern for women in those days.

Link: It was indeed in those days, right.

Chall: You spent all of your growing years in Pasadena? School?

Link: Yes, I went to high school in Pasadena.

Chall: Grammar school too?

Link: Grammar school; all my education was in Pasadena.

Chall: Was there one high school in Pasadena?

Link: There were two at the time: John Muir High School, and what was called Pasadena Junior College at the time. It was one of those schools that had a six-four-four plan. At Pasadena you had six years of elementary school, four years of junior high school, and then two years of high school and the first two years of college put together.

Chall: That was an interesting arrangement. Where were you? At Pasadena Junior College?

Link: I went to Pasadena Junior College, yes.

Chall: What was your grade school, your grammar school?

Link: Longfellow.

Chall: There were just the two of you, you and your sister?

Link: No, originally there were six of us. My sister who is still living was the eldest. Then there was a sister between me and Julia, my eldest sister. She died of diphtheria when she was ten. I also had diphtheria at the time, but fortunately as a disease, it's been stamped out.

Chall: Yes, but in those days it was quite a--

Link: It was quite a serious thing, yes. I had three brothers.

Chall: What are their names?

Link: There was Leonard, Chester, and Raymond. Leonard and Chester are both dead and Raymond is still alive and thriving in southern California.

Chall: Did your parents have special expectations for their children?

Link: I don't think there were any really special expectations. I think my father would have preferred that I become a painter and that we'd go into business. I really had no interest in doing that. If you're going to ask me why I became a lawyer, I can't tell you why I became a lawyer. I, somewhere along the way, decided I would like to be a lawyer and did it.

Chall: Did any of your brothers go into business instead of the professions?

Link: Raymond is a mechanical engineer. He now has a business putting in all sorts of fire protection equipment and that sort of thing. Julia was a schoolteacher and was a part of the administrative people in Pasadena until she retired some years ago. Chester did become a painter. Leonard did all sorts of things. He was the salesman type. He was a real gregarious person who ultimately was killed in an accident.

Chall: Did they all stay in Pasadena except you?

Link: No. Julia and Raymond were the only ones that stayed in Pasadena. Chester was there for a while, and then he moved up to Modesto. Leonard was over in Modesto. His last activity was growing turkey eggs and selling pullets and things like that.

Chall: [laughs] Very good, you're all different.

Link: I think on expectations, I don't really believe that there was any real terrific drive for them to see that we were going to get educated. I think they wanted us to be decent citizens and that was about it.

Chall: What about the religious background? You said your grandmother had been a Methodist, were your parents Protestants?

Link: My father and mother, I'm sure were members of the church in Pasadena. I'm imagining this in a way, but it was a place where persons could congregate that couldn't speak English well. It was a German Methodist church. My grandmother was much more comfortable; she'd come from Germany as well. She was comfortable with the German language and the people. So, that's where I went to Sunday school and went to church as long as they could make me.

Chall: How long was that?

Link: Until I left home. [laughs]

Chall: [laughs] I see; they had a pretty firm hold.

Link: It was a pretty firm hold and of course, it was also a social activity in those days where everybody would go to church.

Chall: Did you speak German in your home when you were growing up?

Link: My mother and father of course, could speak German and did speak German to each other. My sister spoke German, but I was born in 1917, just after the war was over. No one was very happy with German people at the time so I never did. I'm a lousy linguist anyway. I had no ear for it, so I did not speak German.

Chall: It wasn't spoken all through your growing up years in the home?

Link: No, just when they didn't want us to understand them or something of that sort.

Chall: They became comfortable in English? Well, your mother of course, would have already.

Link: Oh yes, and my father became quite comfortable with English. I'm sure he spoke with an accent, but I didn't recognize it.

Chall: Is that right? He must have spoken quite well then, if you didn't notice.

Link: You get used to an accent I think.

Chall: Yes, that's true. When you finished Pasadena Junior College where did you go?

Link: I didn't finish Pasadena Junior College. I just went through the twelfth grade.

Chall: I see, high school.

Link: I quit school for about a year and a half almost and had a job in a factory manufacturing regulators that regulated the pressure of the gas from the street mains into the houses and that sort of thing.

Chall: Did you do that because you needed the money?

Link: I needed money to go to school.

Chall: Yes, you were graduating in the Depression years weren't you?

Link: Yes, that would have been 1935 or thereabouts, '34, '35. I think we lived well. No one was starving. We all had clothes and we were warm and that sort of thing, but there wasn't any extra money for things like school.

Chall: Did you have in mind that you wanted to go to college at that time?

Link: Oh yes, that's the reason I quit. It was an interim thing. It wasn't quitting school in the sense that I was through with school, it was just an interim.

Chall: Making some money to go.

Link: Yes. Then I went to the University of California, Berkeley.

Chall: How did you happen to come up here? About 1936?

Link: As I told you, I wanted to be a lawyer. There was no law school in southern California at the time, except private law schools. There was a law school at USC [University of Southern California], but UCLA [University of California, Los Angeles] didn't have a law school. In fact, UCLA was just getting off the ground. There was a law school at Berkeley and there was also a law school--Hastings [in San Francisco]. And also, I had friends that were coming. But I think that was the principal reason--there was a public law school that I could go to.

Chall: I was interested in the fact that you were able to get into Hastings after only two years at Berkeley. That's unusual--maybe that was the way it was?

Link: That's the way it was. I'm not sure whether it's still that way.

Chall: I don't think so, but it might be.

Link: At that time, the only requirement was that you have two years of college and be accepted for admission. That was an attractive thing for me because I was working all the time and I was anxious to get out and get going.

Chall: How did you find life at Berkeley in 1936?

Link: I enjoyed school, but of course, I didn't participate in a fraternity or anything of that sort. I lived with some friends that I'd had in southern California. We had an apartment on the corner of Dwight and Telegraph.

I don't know if it's still there or not, but there was a cooperative that was running at the time. It was in Barrington Hall. I had a job at Barrington Hall. Even though it was a cooperative, there were some students that were permitted to work there. I could work there and I had a job which paid me twelve dollars a month as I recall, but I also got my food. I worked there for two years.

When I look back on college, I don't feel deprived in the sense that I had no social life, or I was a grind or anything of that sort. I don't have that feeling. On the other hand, I don't have all of the feeling that I got as much out of that side of the school as I might have. But I don't want to paint the impression that I wasn't happy or didn't like it or anything of that sort.

Chall: Well, that was still the Depression era, and I would guess there must have been many students going to school as you were.

Link: Many of them. Also, many of them were staying in school much longer than they would otherwise have stayed in the school because there were no jobs. They were finding it easier to stay in school, more productive to stay in school than to move someplace else. Then in 1938, I left Berkeley and went over to Hastings.

Chall: That was in San Francisco. Did you move over to San Francisco, or stay in Berkeley?

Link: No, I didn't stay. I moved over to San Francisco. Another friend of mine whom I'd known in Pasadena--he was a couple of years older and he actually graduated from Berkeley--he and I went to law school at the same time, and we shared an apartment in San Francisco for the first year that I was there. However, after the first year I got married.

Chall: Yes, I noticed. [biographical data]

Link: So, I got married in 1939.

Chall: What is your wife's name?

Link: Blayne Hopkins [Link].

Chall: How did you handle marriage and law school at that time?

Link: It wasn't too difficult because I had a job. The World Fair was on in 1939 to 1940. From 1939 to 1940 I had a job, and the first year I earned $125 a month, the second year, $135 a month. That was pretty good pay, particularly for what I was doing.

Chall: What were you doing?

Link: I was a guard and a guide. The hours were four to twelve, four in the afternoon to twelve at night. At Hastings, the classes were all in the morning, sometimes six days a week, but all in the morning. But you see, I could work at night, go to school in the morning, and get my studying in as I could. It worked out. This job was not a demanding job. If it had been a job where you had to think and do things like that, it might have been a whole lot harder.

Chall: What about your wife? Did she work some of the time?

Link: She worked very little. Occasionally she would do something, but most of the time she did not.

Chall: Where was she from? Did she grow up in San Francisco?

Link: No, she grew up in Tacoma, Washington. I met her when she was down in southern California on a vacation, but she'd grown up in Tacoma, Washington--at least since she was six, or something like that. Her father was really my first contact with any kind of prepaid medicine.

Chall: Oh, how was that?

Link: Well he was a physician--

Chall: What was his name?

Link: Lewis Hopkins. He was with a group in Tacoma that contracted with employers to take care of the employees. Not the family of the employees, but just like Sid Garfield initially took care of only the employees.

Chall: That had been in a lumber mill or some such?

Link: Most of them were in lumber mills and I think they had banks. I think they had a fairly wide spectrum of people they were taking care of. So, this contract medicine or prepaid medicine didn't start with Sid Garfield.

Chall: No, except that he went off into the community.

Link: He did it, yes.

Chall: Dr. Hopkins. Did he have a staff?

Link: Originally, he didn't run the organization at all. He was just one of the physicians that belonged to the group. More like Blue Shield down here, the physicians could belong and they had their private practice along the way, but they could also contract to agree to take care of members of these various groups. It wasn't the type of plan that we have here, but it was a prepaid medical program. That's kind of an aside because that really didn't influence what I did one way or the other.

Chall: No, but it's historically interesting that that was already going on at that time.

Link: That, I think [it] started probably in 1918 or 1919. Is this going on the way you want it to?

Chall: Yes, fine.

Link: I was married in 1939. Then I went to work when I graduated. I didn't even know what I wanted to do. I really decided that I'd like to be a tax lawyer at that point. The place for me to learn taxes was to go with the government. My wife's uncle, her father's brother, was Harry Hopkins. He was the lend-lease administrator among other things.

Chall: Yes, and a close associate of President [Franklin D.] Roosevelt.

Link: Through his aid I got a job with the Internal Revenue Service in Washington D.C. So, I was with the chief counsel's office for a period of about two and a half years, I think. Two and a half years and two children.

Chall: [laughs] You always took on a rather large assignment as you went along.

Link: Mostly from ignorance. [laughs]

Chall: [laughs]

Link: We had two children in Washington and then I was finally drafted into the army. I didn't do anything in the army that was notable at all.

Chall: You were with the infantry. Were you overseas?

Link: No, I got in fairly late and by the time I was through with the training and that sort of thing the war was over.

Chall: In 1944. How come you weren't drafted until so late?

Link: Well, the first child was a pre-Pearl Harbor child. I had an exemption because of that. Then, I was registered in San Francisco with the draft board here and in the meantime I'd moved to Washington D.C. From time to time the regulations would change, but the mails were slow and I'd get notice they were going to change my status and they didn't. If I'd been in San Francisco the status would have been changed immediately, but again, through fortune or misfortune, it didn't happen. It wasn't until quite late, when they were getting down to the bottom of the barrel, that my number was chosen.

Chall: Then of course, the war ended very rapidly or you might have been in the Far East. Where were you stationed with the infantry?

Link: It was almost entirely a training program that I was at in Little Rock, Arkansas, Fort Robinson. I was trained there through the MPs and then Criminal Investigation Division for a while. Then came out to Fort Ord to get shipped someplace, and by the time I got to Fort Ord the Japanese war was over as well as the one in Europe. I had all these points because of children and marriage and I was out.

II ESTABLISHING A CAREER AS A TAX ATTORNEY

Chall: Now you were close to San Francisco when you were out.

Link: Right. And one of the nice things about being close to San Francisco, was this is where I wanted to stay. Also, secondly, was that I got paid to go back to Richmond, Virginia where I was inducted. They didn't give me a ticket, they gave me the money to get there, so I could take the money and spend it on something else. I didn't go back of course.

I did resign from the government. While I'd been in the government service, the firm of Thelen, Marrin asked me if I'd like to come to work for them. I didn't know much about them, I assumed I was going to be drafted, and I thought I'd better hold on to a good thing, so I said, "No thank you." They said, "Come see us after the war, if you are drafted. If you want a job, come talk to us." So, when I got out at Fort Ord, I came right up to San Francisco and talked to them, and indeed they did have a spot for me.

Chall: How did they know you when you were in Washington?

Link: I had a case with them. I was there really on a peripheral matter, and one of my friends suggested that they were looking for somebody to do tax work for them. One of my friends at lunch, "Talk to George Link, he's from California and he might like to go out there." So that was it.

Chall: You did get onto their staff, I don't know what you call it at a law firm.

Link: In a law firm we call people that aren't partners, associates.

Chall: Thank you, okay. How big was their firm at that time?

Link: I think maybe I was the eleventh person at that time.

Chall: Good size?

Link: It was for a firm at that time. Today it's 160. It's been an awfully big change.

Chall: That's right, but for that day--

Link: It was a fairly substantial firm.

Chall: Did you go to work right away as a tax attorney, or did they put you on other types of cases?

Link: I had other types of cases. A tax lawyer gets into lots of different things. I did general work, but mostly taxes, I think, as I went along. There's a lot of general and particularly corporate work that gets involved in taxes. There are offshoots that you get into. I must say that I never have been a tax shelter lawyer. [laughs] They're the cosmetic plastic surgeons and things like that. Generally tax lawyers don't really get into that type of thing.

Chall: What is a tax lawyer?

Link: A lawyer that does mostly taxes. There's a huge amount of law that involves taxes, and that's perhaps one of the reasons why I got involved with the hospitals and health plan because you need to be sure that you were going to have charitable status so we didn't have to pay taxes; we wanted to stay exempt from taxes.

Chall: I see. That did require knowing the law.

Link: Yes, and the other reason is that all these fellows like Eugene Trefethen and Mr. Kaiser they were all interested in taxes and I got to know them.

Chall: How did it happen that Thelen, Marrin had been so closely associated with the Kaiser people?

Link: Mr. Marrin was really Mr. Kaiser's lawyer from, say, 1922 forward. When Mr. Kaiser first came down here from the state of Washington--he had been up in the Washington area, primarily Spokane--he came down and worked with the Bechtel Corporation--W.A. Bechtel, Sr., Warren A. Bechtel. The other senior partner, Max Thelen, was Mr. Bechtel's lawyer. When Mr. Kaiser needed a lawyer he went to Mr. Marrin.

Chall: This then is one of the major corporate law firms, law firms dealing with corporations?

Link: Yes. Our two major clients have always been Bechtel Corporation and the several Kaiser organizations. Close to half of that firm's work is really related to those two organizations today. You'll find that true of most large law firms. They have one or two or three sustaining clients, and then they're very very happy to have the rest of them. [laughs]

Chall: You got in there in '45?

Link: January 7, 1946.

Chall: Then, in a couple of years you were associated in some way with the Kaiser people?

Link: Yes, well I was associated with the Kaiser people really immediately.

Chall: Not the health plan.

Link: Not the health plan, although Sid Garfield was the first real live client I had because he was having some tax troubles at the time in personal matters.

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My first impression of Sid was--I was kind of scared.

Chall: You weren't very much different in age.

Link: He's about ten years older than I, but, you see, he had already accomplished a great deal. I really don't think I was particularly impressed by Sid at the time. Sidney was a lovable man and what I'm about to say doesn't really fit in, but he was the kind of fellow that was always pushing himself forward; he wanted to be known.

One of the first memories I have was when we went down to the airport. I had Sidney pick me up because he was busy, so we went to the airport together. The porters knew him by name. I found out why they knew him by name was because he gave them a dollar to carry his bags. That was kind of repulsive to me.

Chall: He had been flying back and forth for a long long time.

Link: I know, but a dollar was a heck of a lot of money to give you to carry your bag.

I genuinely liked Sid, so I don't really have any remaining residual problems. But that was one of my first impressions of him, that he was kind of a fourflusher.

Chall: Did that change any in time?

Link: Oh sure, yes. He didn't change any, my impression of him changed.

III THE EARLY YEARS OF THE KAISER PERMANENTE MEDICAL CARE PROGRAM

Trial and Error

Chall: In a later period did you find him difficult to work with as you were developing the organization of the health plan?

Link: No, I don't think so. Other people had troubles working with him. He was a fellow that would, if he felt something was right, he'd do it. Whether it was legal or illegal or what it was. That's always a troublesome thing. I remember Edgar telling him one time, he said, "Sid, the trouble with you is that you'll do anything to get to the end if you believe the end is justified." In a way, that's admirable, but still--

Chall: But still, the means justifying the ends is always something that was are concerned about in philosophical terms. Did you have to cut him back once in a while? Did he do something illegally that you would have to really cut back on?

Link: No, well we didn't. We did a lot of things in the early days of the program that today, we wouldn't do, I think. In the first place, we wouldn't have to do them. But like keeping Sid's salary down. By salary I mean keeping his income down. We'd prepay rent and things like that which were perfectly legal, but nevertheless, it was a difficult thing to manage.

We had a problem with drugs, pharmaceutical supplies. We wanted our people to have drugs as cheaply as they could get them, and in order to do that, we had to run our own pharmacies. But, there was no way that a corporation could own pharmacies at the time. All pharmacies had to be run by an individual pharmacist. So, we had an individual pharmacist that was running these pharmacies, but we made sure that he paid enough rent so that his income was kept within reason.

Of course, that could be regarded as an obvious subterfuge. Whether that was illegal or not, or whether it was a gray area-- There were other things like that.

Chall: That's very interesting.

Link: You do things like that from time to time, especially when you're getting started. As you grow more prosperous you can become more respectable sometimes. I see that in a lot of people.

Chall: These were ways though of getting the health plan organized as it was envisioned, because, I guess, everything was being done as an experiment.

Link: Everything was experimental and nothing was really organized. We were working expediently much of the time.

Chall: Would there have been any way to organize it without that experience behind you of just trial and error do you think?

Link: I think that you could say yes, but I would say no because there hadn't been anything like it before. If an M.B.A. were to sit down and try to work it out, maybe we would have been able to work it out without making all the mistakes we made, and doing all the things we did, but I really doubt it. I think that it just had to grow.

Chall: Can you think of a mistake? I'm sure there are probably some, but the fact that you consider that you made mistakes--I just wondered what you might recall.

Link: I can't think of any outstanding mistakes, no, not really.

Chall: Little errors?

Link: Little errors.

Chall: What might be some? One or two.

Link: One of them: We built a hospital in the wrong place on the Peninsula. This was later on; it wasn't in the early days.

Chall: Siting then was a problem?

Link: It was a problem. Everybody, just thinking of it, would think it was the best place in the world to build a hospital--in Redwood City, right in the middle of a big population area. But that's one hospital where we still have problems.

Chall: Is that so?

Link: It hasn't built up and hasn't been filled up, hasn't been utilized to the degree that we would have hoped it would have been.

Chall: Do you think you might have been able to see that ahead? I don't know when you built it.

Link: I'm not sure when they built it, probably twenty years ago.

Chall: I'll get those dates.*

Link: Today we are much more sophisticated about how we plan things and we probably would have had that better planned if we could have perceived it.

Chall: When you say, "we would have," who made the decisions on siting in those days?

Link: It was the management mostly that made the decisions. Today, it's still the management that makes the decisions, in the sense that they have the people that can do the planning and make the surveys and study the demography and all of that sort of thing. So, they still gather all of the material.

We do have board oversight and we have a Facilities Committee that I am fortunate to be on, that goes over these plans that the management puts together for where they are going to place a hospital, or where they're going to put a clinic, or whatever, or how they're going to expand. That committee can make recommendations, but as you can imagine, we're not experts. All we can do is ask questions and be as sure as we can that they're doing a job. They have excellent people. So, the board does have that kind of an oversight.

Chall: When you say, "the management people," you're talking then about--

Link: Back in the original days, there would really be Sid Garfield and probably Gene Trefethen would be in it.

Chall: I see, you're talking about the management of the hospitals and health plan, that management?

Link: Yes.

Chall: Not the management of a region.

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*The Redwood City Hospital is listed for the first time in the Kaiser Foundation Medical Care Program, 1968, p. 16.

Link: The regions in those days really didn't have a management team. They had a different program, but Sid was the manager.

Chall: In those days the program was growing so fast, that I guess the hospitals were set up where you thought you needed them right away.

Link: Right. We owned a little hospital in South San Francisco. We owned a hospital on Pennsylvania Avenue, I think it was then, in San Francisco. Those were little shack-type things. We really didn't have any hospitals except for the one over in Richmond and in Oakland.

Chall: So these were in the days of lack of organization. Anything else you can call to mind that might have been small errors?

Link: We had people errors. The wrong people sometimes being in the wrong job. I don't know, it's a long time ago.

Chall: Getting onto 1948. When you talk about one of your first contacts with a health plan as such. You said Sidney Garfield was in charge.

Link: Right.

Chall: You then formed the hospital corporation. Before that, in September, 1945, when they did go public, the Henry Kaiser Company established the Permanente Health Plan as a nonprofit trust.

Link: Yes, that was with Tom McCarthy.

The reason for that was, we didn't believe that we could do it in corporate form in 1945. This was one of the changes that came about. You mentioned a little while ago that I became a member of the board of directors in 1955 or '56 or something, that's when we first formed a Kaiser Foundation Health Plan, Inc. That is, it became a corporation which took over the function of that health plan which was a trust.

Chall: What is the difference between a trust and an Inc.?

Link: In a trust the trustees had individual financial responsibility, and in a corporation the corporation is a shield from individual financial responsibilities. So that was another major legal thing along the way. These trustees did have the responsibility to all of the patients, to make sure that they got the medical care and the hospital care they had contracted for, which was a very shaky thing.

Chall: Yes, because if the plan was sued then each one of them would be responsible.

Link: Each one of them would be individually responsible. The financial charges could be horrendous.

The reason the trust was formed other than a corporation, was because at the time we did not believe that a corporation could write these health plan agreements.

Chall: Did the laws change?

Link: The laws changed. Well, I shouldn't say the laws changed, because I guess the laws never did. The laws changed in the sense that a portion of the corporation code was interpreted by one of our California courts, which said that, indeed, if you were a nonprofit organization, that you could maintain and operate a health plan. That was a San Diego case, which we could look up readily enough, but I can't remember the name of it offhand. That came down in 1953 or '54.

So, when that decision came down, then we felt that it, indeed, was the time to incorporate, and to relieve these individuals of their responsibilities as trustees. We transferred. We kept the trust going parallel for a while to make sure that nothing happened, that we wouldn't have to revive it. Essentially we transferred all of the functions that were in the old plan trust to the new corporation. That's when I became a director of the corporation.

Chall: But, as you said, until 1960, it was still pretty much family--Kaiser industry run.

Link: Still Kaiser industry run, right, until '62 I think you'll find it changed.

Chall: I see, so the management stayed the same, but the--

Link: But the format changed.

Major Changes, 1948-1949

Link: In '48 the same kind of concerns were involved. There was a concern that Sidney was mortal, and we also felt that we could, in effect, shelter a portion of the income of the organization by

Link: transferring the hospital functions to a charitable corporation. So in 1948, we formed the Permanente Hospitals Corporation as a charitable corporation. It then took over the responsibility for providing hospital care.

The hospitals at that time, the ones that we owned and had, the one in Richmond and the one in Oakland, were not owned by the hospital corporation. It was just a function organization that leased the real property from a trust which had been formed earlier by Mr. and Mrs. Kaiser too. Those hospitals of course, were wartime hospitals and they were being sponsored by the Kaiser organization to take care of shipyard employees. When the war ended in '45, they went to the public. Of course, they became part of the public organization when taking care of the public started. But the hospital corporation itself took over the operation of the hospitals, the care and operation. But again, Sidney ran the hospital corporation.

Chall: Yes, was it still called up through 1948, "Sidney Garfield and Associates?"

Link: That was the "Sidney Garfield and Associates." I'm not just positive when that came.

Chall: I think probably that was out of the way maybe before '48. But it was still kind of loosely--

Link: It was still Sidney's organization.

Chall: He was still hiring doctors?

Link: He was hiring. In 1948, he also formed his partnership.

Chall: [referring to research notes] Permanente Hospitals, Inc., February, 1948. That's what you were just talking about?

Link: Yes, that's what I'm referring to. That was the former name of the corporation.

Chall: "Dr. Garfield operating under the name, 'Sidney R. Garfield and Associates,' employed the physicians until about the same date."*

Link: Yes, that's when they formed the partnership to relieve him of all of that responsibility.

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*Scott Fleming, "Evolution of the Kaiser-Permanente Medical Care Program: Historical Overview." (Oakland: Kaiser Foundation Health Plan, Inc., 1983), 16.

Chall: I see. "The Permanente Medical Group, was formed as a partnership consisting of seven partners, including Dr. Garfield." So, that all happened in 1948 at the same time?

Link: At the same time, yes.

Chall: How do you recall, if you knew, how he responded to these changes?

Link: I think he accepted the changes because I don't think he viewed it as chipping away. I think that he recognized, as everybody did, that there needed to be continuity and after all, he was still in charge.

Chall: That's true. He was one of the--

Link: He was one of the partners, he was the major partner. All these partners had been with him for--there were people like--

Chall: Yes, can you recall?

Link: I can't recall them all. There was a fellow by the name of [Paul] Fitzgibbon, Wally Neighbor; of course Cece [Cecil] Cutting, Morrie Collen, Monte Baritell. I'm probably missing somebody.*

Chall: Yes, all right. One way or another we'll get them all, but it's interesting to know whom you recall. This was the beginning. These were the pioneers and they're still there. Some of them had been with Dr. Garfield since '42 and some of them had been with him since 1938.

Link: Right, yes.

Chall: A year later, in July, 1949, the partnership was reconstituted with eight founding partner positions, but without Dr. Garfield. Now, you may not have been in on that change because that's probably inside with the doctors.

Link: I don't remember that, yes. That's private when they do that.

Chall: Following up on that, Mr. Fleming writes in his brief history:

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*See also, John Smillie, M.D., "A History of the Permanente Medical Care Group and the Kaiser Foundation Health Plan," (unfinished manuscript in draft form), 77.

See also, Cecil Cutting, M.D., History of the Kaiser Permanente Medical Care Program, an oral history interview conducted in 1985, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1986, 40-41.

Chall: "Although additional physicians were regularly admitted to the partnership after a probationary period, Medical Group management continued to reside in the eight founding partners acting as a committee, until July, 1957. At that time, the partnership concluded that they should have a Chief Executive Officer subject to policy guidance by a committee of partners, rather than decision making by committee. After considerable controversy within the group of founding partners, they selected Dr. Cecil Cutting for this position."*

Link: Well, that's a little brief there.

Chall: Yes.

Link: The physicians that were at Tahoe were Cutting, Baritell, and Collen, from the northern California group.

Chall: Yes, and Neighbor.

Link: And Neighbor, yes. Collen was really the spokesman, or at least he seemed to me to be the spokesman for the group. Almost as though he were the director. And Baritell for a while. They had kind of a division between the San Francisco side and the East Bay side. I think Collen had San Francisco, and Baritell had the East Bay. There was a mishmash, and I think that, as a result of that, that Cece Cutting really became the--as a compromise, he really became the director. But, there were kind of two directors before. But again, I really wasn't privy to all of that so I'm not really sure, but it seems a little simplified.

Chall: It is an excellent sort of skeletal history of the medical program. We hope, in this oral history project, and using various other sources available within the organization, to "flesh it out."

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*Fleming, "Evolution," 16.

III THE TAHOE CONFERENCE: PRELIMINARIES AND FOLLOW UP, 1952-1958

Disharmony Between Henry Kaiser and the Doctors

Chall: Now, somewhere along the line, and I guess what may have stirred up the difficulties that led up to Tahoe was the fact that Henry Kaiser wanted to build a hospital--sometime in 1952. It's after his first wife died and he married Ale [Alyce] [pronounced like alley] Kaiser. He decided to build a hospital in Walnut Creek. Apparently, from what I've read in Dr. Garfield's oral history, it was really a Kaiser venture.* Some of the other doctors felt that not only was Henry Kaiser planning the hospital himself, but that he was siphoning funds away from the health plan or the hospital corporation, which the other medical groups felt belonged rightly to them, to build hospitals in San Francisco, and also in Los Angeles. Can you tell me what you saw preceeding all this, en route to the Tahoe conference?

Link: I do recall that there was controversy about the Walnut Creek Hospital. There's always been a proprietary feeling, on the part of the physicians and I think it still exists to a degree, that the money that is developed in an area, really belongs to that area. You should know, I think, that in 1952, the physicians really thought that the health plan and the hospitals were their business, that Sidney was running it and Mr. Kaiser was interfering with their business.

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*Interview of Sidney Garfield, M.D., by Daniella Thompson, transcript, Tape 3, side 1, 6 September 1974 (Audio Visual Department Kaiser Foundation Health Plan), 14-15 (hereafter cited as Garfield interview).

Chall: Did he think he was running it too?

Link: Oh, sure.

Chall: He thought he was running it, and they thought they were running it?

Link: Well, Mr. Kaiser was always thinking he was running it. He was a sensitive man, but on the other hand he was very dynamic and pretty confident. He felt that this was largely his program. So, I know there was a controversy about Walnut Creek and there were problems, which I alluded to earlier [in a preliminary unrecorded conversation] about the contract between the health plan and the doctors, as to how much money they should have because there wasn't any really basic way of establishing how they should be paid and how they could be paid. This was one of the things that essentially got worked out after Tahoe. But, it was one of the problems that existed before it got worked out.

Then, as I said earlier, because of the lack of management they brought Cliff Keene out from Michigan, which again precipitated this same kind of thing. Greater interference between the lay people and the doctors. Again, interfering with their operations of the hospitals and health plan which they regarded as theirs.

That's a very understandable feeling that they had. It could never have worked out, in my judgment, it could never have worked out any differently than it did, or it would have failed. But it's easy to perceive why they felt this was their organization and, by gosh, you fellows shouldn't be monkeying around with it in any way.

One of the essential problems I think Mr. Kaiser, as well as Gene Trefethen, had was a failure to recognize their professionalism.

Chall: Of the doctors?

Link: The doctors' professionalism and their pride. I told you earlier I think, that doctors are trained the wrong way, but that's a different subject. They do have a great deal of the sense that whatever they do is the right way to do it, and the right thing to do. They have to feel that way; they're telling people about their lives all the time. So, maybe that's characteristic of them.

The Working Council Strives to Resolve the Differences##

[Interview 2: March 11, 1985]

Chall: In April, 21, 1955, according to our material, the Working Council was initiated by the medical groups. They requested that from the Kaiser side there would be Henry and Edgar on that committee, and also Link and Trefethen. What would your role be? What did you expect it to be?

Link: I think that at that point, I don't have any real recollection as to what I expected to do. In fact, I'd forgotten that it had been organized before Tahoe. I think that probably the reason I was there was because I was a lawyer. I was active, at that point, in many of the details of the operation of the health plan from the legal standpoint. So, I suspect that's why they asked for me in addition to Mr. Kaiser. Mr. Trefethen, of course, was the executive vice-president of the group. Edgar had been involved in the health plan operations particularly, in Grand Coulee. Those three persons were very logical. I think I was along because I was a lawyer.

Chall: I see, and your law firm was doing work for the medical group, is that correct?

Link: We, at that time, perhaps were doing some work for the medical group. I'm not sure that they had their own lawyers at that time. Shortly, they were to get their own lawyers. The reason for that was that Sidney, of course, was running the whole of the organization for a while, and the medical group, particularly after Tahoe, was beginning to develop a great deal of independence from Sidney, as well as from the Kaisers themselves. Well, lawyers don't represent two masters, so there was obviously going to be a conflict, or some conflicts between the health plan and the hospitals, and the physicians and their medical groups. I suggested, and indeed they did, get independent counsel to represent them.

Chall: The medical group.

Link: The medical groups themselves.

Chall: Do you remember whom that would be?

Link: Yes, that was a firm of--it was primarily Gardiner Johnson. Tom Stanton was Gardiner Johnson's partner at the time, and the young lawyer, he was young at the time, Harry Fletterman, was one of the persons in that firm that was representing them,

Link: doing the work for the medical groups here in northern California. I find I'm more familiar with that than either Portland or southern California.

Chall: That's all right. You just take up what you're familiar with. Dr. Kay has written about the history of southern California.*

Link: We had been doing work for the medical people, for the whole program.

Chall: For the whole program, your firm?

Link: Right.

Chall: Now, these meetings proceeded from month to month. Let's see, the first meetings were on May 12, and 13. Then there was one on June 7, and I think that also took a couple of days. Then, they met again in June for a couple of days [June 21 and 22], and then they went to Lake Tahoe in July.** As these meetings moved on, you, I think, were the secretary, taking the minutes.

Link: I think that's right.

Chall: You were also put on some subcommittees. Were the people from the Kaiser side, the industry side, you, and Trefethen, and the Kaisers--Tod Inch sometimes--

Link: Tod Inch, yes.

Chall: Did you meet beforehand to come up with an approach, so that you could present a united front?

Link: I have no doubt that there were meetings. I don't recall being in those meetings. I may have been, but I rather suspect that those meetings, if there were such meetings, were largely Mr. Kaiser

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*Raymond M. Kay, M.D., Historical Review of the Southern California Permanente Medical Group: Its Role in the Development of the Kaiser Permanente Medical Care Program in Southern California (Los Angeles: Southern California Permanente Medical Group, 1979).

**John Smillie, "A History of the Permanente Medical Care Group," 68-78; also, "History: Chronology," 3-5.

Link: and Gene Trefethen. I may have been there. I know I did attend a number of preliminary meetings, but I don't have a great deal of recollection now.

Chall: That's all right. Before we continue to discuss these meetings can you describe the differences in the style, the approach, to tackling the problems between Henry and Edgar Kaiser? What were their differences in style?

Link: [pauses to consider] Mr. Kaiser would come in every once in a while, not that he wasn't in the meetings, but he really didn't direct the meetings as such. He wasn't the chairman type of person who directed meetings. Edgar was much more of that type of person. Really, the person in my recollection, that from the management standpoint, was more in charge of the meetings, was Gene Trefethen.

Chall: Yes.

Link: Mr. Kaiser would listen and he was always attentive at the meetings, but I don't think that he had a great deal of comment to make at the meetings, whereas Edgar would. Now of course, I think the reason Mr. Kaiser wasn't commenting was because everything he wanted to have said, was being said.

Chall: Yes, he'd worked it out first.

Link: Yes. Edgar, I think, was generally more conciliatory at the meetings with respect to the physicians. The meetings did not have, I think, a great deal of substance to them. And this is more of an impression as we look back. I don't think they had a great deal of substance to them in the sense that we accomplished anything. I think that we talked. I really believe that the process of talking and getting to know each other better, was a most important part of these several Working Council meetings, or whatever they were called at the time.

Chall: Yes. Now, at one point, I suppose the whole organization was about to come apart, the doctors, at any rate, thought so. The positions seemed irreconcilable.

Link: Oh yes, I think that was right.

Chall: The doctors presented their position, in which it seemed as if they still wanted to be more in charge than they thought they were becoming, and Henry Kaiser was interested in the business approach. There was a draft of a letter for Mr. Kaiser, addressed to the doctors, which you made before the second meeting--you and Mr. Inch. This is a copy of one I found in the

Chall: collection of the Henry J. Kaiser papers which is down in The Bancroft Library archives, and which are related to one of the early meetings. It looked as if basically, what you were saying, as if in the words of Henry Kaiser, was, "You can go out on your own if you want to, but you'll have to finance the hospitals etc. yourselves. This is what it's going to cost."*

You can look that over, and think back on how you worked with Mr. Inch on this.

Link: [pause while Mr. Link reads the draft] I have no independent recollection of that. It seems to me as though Tod Inch was largely responsible for that letter. I'm sure we worked on it together since my name is on there. I think, as I read it now, it says, "You fellows can do it, but you would be crazy to do it." It sounds to me as though it was kind of laying down the gauntlet.

Chall: Yes, that's what it does. Along this same theme, on page 3 of Dr. Smillie's chronology, he writes that on May 13, various options were suggested.** In general they were, allowing the medical group to take over control of the health plan and the hospitals, or having an equal voice for doctors on the governing board, and how the differences might be resolved depending on the choice of options.

Link: Right.

Chall: Then, on page 4 he says, "Mr. Link was directed to prepare a report on tax consequences of the various options." Apparently you did this.

Link: Do you have a copy of it?

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*Dear Doctor: Draft, Inch and Link, 5/19/55, Henry J. Kaiser Papers, Series 2 Carton 116, The Bancroft Library, University of California at Berkeley (hereafter cited as TBL). See Appendix, 67.

**Smillie, "History: Chronology," 3-4.

Chall: I don't have a copy of that, but I do have Dr. Smillie's discussion. On page 72 of his draft, he says:

> "Mr. Link's analysis of the consequences which could follow each of the above suggestions was available before that second meeting. This memorandum pointed out that although there were no insurmountable legal obstacles to the medical group taking over the health plan and hospitals, there were legal and ethical problems. The memorandum also made clear that there were substantial financial considerations."

Then there's more here about Mr. Link and the cost that you indicated, and all of that sort of thing. So, one asssumes, Dr. Smillie has gone over the memorandum.

Link: Does he give a date on the memorandum? It must have been May 19.

Chall: He says that it was ready before the second meeting. Let me go back to his interpretation:

> "Mr. Edgar Kaiser suggested that Mr. Link prepare an analysis. A great deal of discussion followed concerning the memorandum read by Dr. Baritell."

Then we go here to:

> "Mr. Link's analysis of the consequences which could befall each, was available before the second meeting."

The second set of meetings was on the sixth and seventh of June.

Link: But he doesn't refer to those here. Anyway, sometime I might be able to find that if you thought it was important.

Chall: It might be. I'd even like to put it down in The Bancroft Library with whatever else on this subject you can locate because it's a nice way to dovetail matters here.*

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*Several months after this interview Mr. Scott Fleming donated copies of Dr. Morris Collen's minutes of the Advisory Council 1955-1956. These will be deposited in The Bancroft Library and made available for research.

Chall: Now this is on page 73:

> "Further, Mr. Link expressed the opinion that the health plan, under Kaiser control, played a valuable role in maintaining the balance between the doctors, the only persons who could gain financially from the health plan operations, and the health plan members."

Then there were the costs and possible resolving of the differences, and:

> "The fourth possible method of resolving differences between the medical groups and trustees by contractual arrangements, was considered feasible and practical by Mr. Link."

Link: I always believed that, more or less.

Chall: I see. Were you then, because you believed that, were you in a mediating position between Henry Kaiser and the doctors? Unbeknownst to any of them perhaps?

Link: They were looking for some way. The other day when you were talking about this, you described Smillie as saying that Gene Trefethen was a real hero in all of this, and indeed he was. But, all of these people--and I say all of them, and I believe all of them--were men of good will. They <u>wanted</u> to make this thing work. There were obvious, tight, hard meetings where people got angry with each other. But they <u>really</u> wanted to make it work.

I felt that the way to make it work was this contractual relationship. We had to find some way to get them together, where each of them could find what they wanted to do and what they thought their own responsibilities were. I was talking to everybody on that basis. Not really just to Mr. Kaiser, but to the physicians too. Possibly and probably more to the management people than to the physicians, but there was no other real satisfactory solution because each of them had their demands.

Each of them had independent demands and independent roles that they felt they had to play. Some of them weren't going to do the whole job; then you had to find a way for two of them to do it. The way you do that is through a contractual relationship, generally. There may have been some other ways it could have been worked out, but that's the way I felt that was the easiest way. One of the main contentions, of course, was how they were going to get paid. So that was another thing that was an important contractual consideration.

Chall: Yes.

Link: But, I sure don't remember all of this.

Chall: Well, that's why it's good that there were minutes taken and that Dr. Smillie has seen the minutes.

Link: [laughs] Yes, that's right.

Chall: --Sometimes though, you remember things that you might not have anticipated remembering.

Dr. Collen has written a small paper too--everybody seems to have written something on the history of the medical plan--in which he says that the major strength, at least from the physicians' side, the group side, was the united partnerships and not logic or persuasion, in finally coming to grips with it.*

They didn't establish the final contractual arrangement themselves, but the fact that they stood together throughout all the meetings ultimately meant that something had to be worked out.

Link: Possibly, that's true. I think that certainly they were together; at least in this initial phase they were together on all of the essential points. They felt that Sidney and they had started the health plan and, by golly, it was theirs. Mr. Kaiser, on the other hand, felt it wasn't theirs because of the things that were necessary for management had contributed to it.

Morrie Collen was one of the persons that was particularly adamant on the concept that it was their health plan and they really didn't need the kind of management they were getting from the Kaiser people. On the other hand, Morrie today would tell you that he is finally convinced that lay management was appropriate to the health plan. But he was one of the strongest and certainly most vocal advocates for the physician approach, yes.

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*S.R. Garfield, M.D., M.F. Collen, M.D., C.C. Cutting, M.D., Permanente Medical Group: "Historical" Remarks (Presented at a meeting of Physicians-in-Chief and Medical Directors of all six regions of the Kaiser Permanente Medical Care Program, 24 April 1974), 8.

Chall: I asked you about the difference in approach of the management side. You had a number of meetings, because you were on subcommittees, with various medical people too. I was going to ask you the differences in the approaches of Cutting, Baritell, Collen, and Neighbor.

Link: I've never had any real, and again Mrs. Chall, you must realize these are impressions from long ago memories, but I don't recall ever having any feeling of frustration in talking to Baritell, to Cutting, or to Wally Neighbor, but I had many feelings of frustration talking to Morrie Collen. I don't mean to imply that these other fellows were pussy cats or whatever, but they were just different. I could talk to them, whereas talking to Morrie was a more than difficult problem for me at the time.

Chall: The personality? His way, his method?

Link: His method. He was inclined to be more abrasive, I think, than the others.

Chall: A less compromising spirit?

Link: Oh yes, he certainly was that, but they were all pretty tough. I think that ultimately maybe that Cece Cutting was the toughest of them all because he survived. [laughs]

Chall: [laughs] In a quieter way.

Link: [laughs] In a quieter way, yes.

Chall: What about Drs. [Raymond] Kay and [Herman] Weiner?

Link: Herm Weiner, [Frederick] Scharles, and Dr. Kay. Dr. Kay was the strong person of that group by far. Scharles and Herm Weiner, again, they were dominated, I think, to a degree by Ray Kay as you might well imagine. After all, he was the fellow that started down there, and these were persons that he'd picked to join him. Again Ray was spokesman, but they were all very strong people and dedicated to this method of practice. They had to be strong people to come into this kind of practice because it was the outlaw type of practice at the time.

Chall: That's right. To come in and stay.

Link: Come in and stay, yes. They were all strong, but I think that Ray was probably more articulate and the spokesman more for the southern people, than the others.

Chall: Whereas in the north, they were almost all on one level in terms of their--

Link: Yes, in terms of their real interest and longevity and that sort of thing.

Chall: And the fact that nobody was the spokesperson.

Link: Morrie tended to be the spokesperson, but maybe that's just because he talked more. I'm not so sure he was always in the same sense the leader of the group that Ray was.

Chall: What about [Ernest] Saward and [Norman] Frink from Oregon?

Link: Saward of course, was really the dominant person. There was no doubt about that. I don't remember that Norm Frink really made any contributions at all over a lot of things. He was there along with Saward. Ernie was, again, a very strong-minded person. He was perhaps as influential, even though he had a small group, as these other groups.

Chall: So, you had really strong people on the side of the medical profession then?

Link: No doubt about that, yes.

Chall: Within that Working Council also were Dr. Garfield, as kind of a consultant, and Dr. Keene who was made a member of the Working Council after the first meeting. Dr. Keene's role--how do you see that?

Link: Cliff came out here and I think he had a lot of important contributions to make, but Cliff was really frustrated and dominated by the Kaisers and Trefethen. He really had nothing independent to do in this particular point, at the time.

Sidney, he was really kind of shoved aside by Mr. Kaiser, but I'm sure that he was working diligently with the medical group people. He was really not a management person at this point. Cliff was definitely identified and allied with what you might call the management group. Sidney, on the other hand, although he was close to Mr. Kaiser and Edgar and all the rest, nevertheless, I think his feelings were with the medical groups. He was in there constantly talking to them and advising them and that sort of thing. On kind of a sub rosa basis.

Chall: It was make or break at this point.

Link: Right.

Chall: Mr. Kaiser, having experimented with setting up the Walnut Creek facility, which was one of the problems that brought all of this to a head, was interested in setting up small partnerships which the doctors were quite opposed to. This desire of Henry Kaiser for the small partnership, found its way into subcommittees of the Working Council to discuss it. One of the subcommittees was made up of Drs. Collen, Baritell, and from the management side, Mr. Reis and Link. According to Dr. Smillie, you met, but you weren't able to understand the assignment and asked for clarification.

Link: That's probably true. Now, Joe Reis is essentially a financial person, and he's a very meticulous, organized type of person. He'd be an ideal person on this kind of a committee because--this isn't what you're asking me about.

Chall: No, go ahead, give me the rounded picture of this, please.

Link: He was a fellow that saw everything in a straight line and could ferret out problems and that sort of thing. I believe one of the things Joe could have contributed, if this committee had gone forward, would have been a method of how these medical groups that are going to be geographically close together, and are going to be taking care of essentially the same people, how they are going to cross over. How are we going to be able to take care of the crossover charges? How do we make sure which group has a principal responsibility for somebody that lives in Walnut Creek instead of Oakland, which are relatively close together?

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The doctors understood these problems and were opposed because of the difficulty of working them out. But, I think you see that at the time when we're having this controversy, the doctors could also look at the small partnerships as a method of divide and conquer.

Chall: Yes, and they did.

Link: And indeed they did. Mr. Kaiser, on the other hand, I'm not so sure what his motivations were. They may have been that if you have these competing groups, they'll do a better job. It may have been that he did want to divide and conquer. I just don't know.

Link: I have always been in favor of small groups. Not in the same sense that we were talking about them at the time, because of the kind of thing that Joe Reis would have brought up. The way to get smaller groups is in discrete areas, such as San Francisco and Sacramento. It seems to me that you can have smaller groups, that is, you could have a different group in each area.

Chall: Yes, and they do to some degree now, don't they? The medical groups have some autonomy.

Link: In each region. Sacramento and San Francisco are together. I don't know all about their partnership, but they are within the same partnership. I know that. I don't believe that there are sub-partnerships or that sort of thing.

But the reason I like small groups is, I don't believe that you can have a partnership of 1900 physicians here that really are all that dedicated, and have the same esprit de corps as a smaller group of physicians could have.

Cutting, when I talk to him about this, he says that he believes that this would be good if we could work out small groups, but he doesn't believe we can. He says the way the doctors try to do that is through each medical center. That Sacramento has it's own physician-in-chief and they could identify with that medical center, and could identify to that group of patients, and we hope that they feel as though they're responsible there and they have their own destiny. Although, they're covered over with this great big blanket.

Chall: Yes, I see.

Link: That has to be the answer to my argument on small groups because we've just not going to have small groups.

This works. Santa Teresa gave a presentation. A hospital down there in south San Jose had a presentation about how they'd taken care of their problem of accessibility. This was just in the last month or two that I heard their presentation. Indeed, they saw a problem and they worked it out, and they think they've worked it out for themselves. Whether that will be transported to other medical groups up here or not, I don't know. They do have a certain amount of esprit de corps within each of the medical groups, or each of the medical centers, but technically they're all under the same management.

Chall: They have to bring whatever the problems are, back to the region.

Lake Tahoe: Further Discussions and Attempts at Resolution

Chall: Then there is the Lake Tahoe meeting itself, where these differences were supposed to be somehow resolved. What's your recollection of that few days in Tahoe? I understand it was emotional. There was much caucusing.

Link: Oh yes, there was caucusing, there was a lot of heat, and I think that Tahoe produced nothing. That's not quite true. We did actually write up some recommendations and we set up committees. We had these joint management teams from each of the regions that were to be composed of the physicians representation, hospital representation, health plan representation, since they all had a different function. They were to operate as a regional management team.

The reasons for this, I think, are largely that the physicians did not want to have anybody between them and the board of trustees, or the board of directors of the hospitals and health plan. They were absolutely opposed to a central office. Each of them had been operating in their own geographical areas independently and they wanted to continue to do that.

So, each of these regional management teams was to be primarily responsible to run their region. They each had their own functions. The hospitals and the health plan were to retain their responsibilities. The medical groups were to retain the responsibility of taking care of people, as they should. They were to practice medicine and that was to be it.

The real problem was that they did not want Cliff Keene, or someone of Cliff Keene's type, or whoever. It wasn't just simply Keene. Keene wasn't perhaps the ideal person to have there at the time, but nevertheless they didn't want someone in between their operation, whether it was San Francisco, or Los Angeles, or Portland, between them and the board of directors.

We also had a great deal of discussion up there as to how the physicians would be compensated and how we could work out the methods of compensation.

I'm sure we covered every topic in the world of discussion that could be covered under that umbrella. Again, my recollections aren't all that clear. I do remember writing out these various pronouncements at night and reading them the next day. [laughs]

Link: And it was at Tahoe or shortly thereafter, that Sidney was effectively disassociated with the medical people. It was at Tahoe that Mr. Kaiser announced that Sidney was going to work for him and leave the medical groups. That was one of the things that Mr. Kaiser felt he had to accomplish--to get Sidney out of there--because the management had to be clarified and as long as Sidney was there, it was going to be a mishmash. Sidney never did get out completely, but the responsibilities began to really get divided at Tahoe. Mr. Kaiser said, "Sidney's coming with me and help with planning," and all of that sort of thing for the future. He fired him in a sense from the medical groups; he took him away. I think he made that stick.

So, that may be one of the more significant things that came out of Tahoe. At least the announcement was made that this would happen. It's almost like arguing with the Russians. As long as you're talking, something is going to happen. I think that the Tahoe people got to know each other better. They came perhaps, to understand each other a little better. I don't think that Edgar Kaiser, and certainly not Mr. Kaiser and Gene Trefethen, really understood the professionalism and the commitment that these people had. The concern that they had about the non-medical people getting involved in the medical practice. Their professional pride of wanting to run this thing on their own. I think that those were difficult things for the Kaiser people, the management people, to understand.

Chall: Did you understand it at the time? Did you see it?

Link: I think I could understand it perhaps better than many because I was a lawyer and I wasn't working for anybody. We were in private practice. I think I could understand their professional feelings better than some of the other management people.

Chall: That's interesting. As I understand it, after several Advisory Council meetings, when you weren't coming any closer to a solution, Mr. Trefethen decided that the staff would try to work this contract out.

Link: Right.

Chall: One thing though, that I understand did come out of the Tahoe meeting, was the general commitment to making the plan work, not to dissolving this medical program.

Link: That's right.

Chall: That was a commitment.

The Kaiser family lodge at Lake Tahoe, scene of the Tahoe conference.

Kaiser Permanente medical care pioneers attend the presentation to Dr. Sidney Garfield of the Lyndon Baines Johnson Foundation Award for his significant contribution in the field of health care services, 1977. *Left to right:* Drs. Sidney Garfield, Raymond Kay, Morris Collen, Cecil Cutting, and Mr. Edgar Kaiser.

Link: That's right. You know, many things came out of Tahoe that perhaps never did get written down, but I think that there was a commitment that we were going to make it work.

Chall: So, then the process had to be shaped.

Link: Right. But there are many many problems that remained after Tahoe, obviously.

Chall: Oh yes, it wasn't solved then.

Link: It wasn't solved really at all.

The Trefethen Plan: Developing the Contract

Chall: I suppose it was just another move toward the solution. The staff members that ultimatley came up with the final solution, as it were, who worked on it either all or part of the time, were Mr. Reis, Mr. [Arthur] Weissman, Mr. Fleming, and Mr. [Karl] Palmaer. And of course, Mr. Trefethen at the head. I think Avram Yedidia, Dr. Keene, and you had some connection from time to time--there were probably others.

Link: There were a lot of other things going on at this time. Trefethen, he was in all of the work--kept informed, but these were the people that were working in the organization.

Scott Fleming, at the time--I guess Scott must be seven or eight years younger than I am--and he had not been working for the hospitals and health plan for too long. I don't really know when he got involved in their legal matters. But, at one of these Advisory Committee meetings, Cliff Keene felt that he really wanted his own lawyer. So, he selected Scott as being his lawyer. Scott had been working for the Kaiser companies and I think, about this time '54, '55, Scott was assigned completely to the hospital organization. I think that Scott is largely the draftsman of these contracts, as well as having a great deal of input as to their content.

Yedidia was a fellow who had worked for Sidney from the beginning I think, and working out the contractual arrangements with the members and that type of thing. Palmaer was an accountant that worked with Reis. He was a brilliant fellow that didn't last very long.

Chall: Didn't last long in the company do you mean?

Link: Didn't last long in the company, no. I'm not sure what he did after he left.

Chall: Where were you within this process? Were you on the outside?

Link: Again, I was on the outside, yes. One of the things we spent a lot of time on was how in the world we were going to work out the compensation arrangement. The other things we could get down to words in a way, because we knew that the physicians had to be assured that they were going to run the medical side of the practice. We knew that they ought to have the right to select the patients they're going to take, and be consulted in their groups and that sort of thing, because those were almost inherent in the practice of medicine. So, we knew that there were certain things that the physicians were going to have to be in control of and consulted on.

But, the financial question of how do you get paid, we didn't have any arms length tests. We knew perhaps what physicians should earn and what we thought they might earn, but how to get there was a real problem. Joe Reis was particularly helpful in that kind of thing.

Art Weissman is one of the most perceptive people. A very perceptive, kind, bright mind that made an awful lot of contributions to the hospitals and health plan that went along. I'm sure that he and Fleming particularly, had long talks about what was to go into these medical care agreements. He certainly must have had a great deal of influence. That's about the committee, I think.

Chall: Yes, I think we've covered them here. If, Mr. Trefethen would come in and move the men to action, then what would he do? Take the drafts back and look at them and then take them to Henry Kaiser?

Link: I'd have to guess on this, but I would guess that pretty much, Mr. Trefethen would report to Mr. Kaiser and it would be accepted. They were that close that really Trefethen would, in essence, make the decision, but I'm sure he would always be careful to make sure that Mr. Kaiser was informed and if he got disagreement, they would work it out or it would be changed. But I don't think that there would be a great deal of involvement with Mr. Kaiser himself.

Chall: He wanted it to work too?

Link: Oh yes.

Chall: Once again, we come back to Trefethen's role as the mover, but not necessarily the person who worked out the initial contractual agreements.

Link: I'm sure he had a lot of discussions on some of the contracts which ultimately had to be discussed with the medical people. I'm certain that he had many discussions, with Ray Kay particularly in the early part, as to what could be in the contracts, what should be in the contracts. He was involved in the negotiations, but not in really the drafting. He was also involved in the concepts of them. One of the things, which I think is still in the agreement, this fifteen cents per member per month that we have as a little bulge in the hospital contact to provide for expansion and that sort of thing was his idea. He was really involved in the negotiations, but I'm sure many of the words and the ideas came particularly from Fleming and Weissman, and Joe Reis on the financial side.

Chall: They did ultimately work it out with Dr. Kay in southern California before it came up here and was finally established in the north.

Link: I don't know why there was that greater difficulty here in the north than there was in the south. It's kind of a mystery to me as to why it was because in many respects Ray was more of an individual entrepreneur than the people up here. They'd all been Sidney's men up here and they'd been going longer and all of that sort of thing. Why it was more difficult here than down there, I really don't know.

Chall: You didn't have anything to do with those final negotiations did you?

Link: No, I did not.

Chall: Greer Williams who has written a book about why the Kaiser Permanente Health Plan has worked, wrote:

> "The Tahoe commitment...may well be regarded as one of the most significant moments in the history of medical care organization. It's effect was to recognize that medical care is three things: a profession, a business, and a social responsibility."*

Do you agree with that?

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*Greer Williams, The Kaiser Permanente Health Plan: Why it Works (Oakland: The Henry J. Kaiser Foundation, 1971), 8.

Link: I would agree with that, yes.

Chall: Dr. Saward has commented during interviews with him, that he had the impression that the Northern California Permanente Medical Group was mainly interested in creating optimal conditions for its physicians, and the Oregon group was mainly interested in creating optimal conditions for its members.* Did you get any feeling about that from any of your contacts during those meetings?

Link: I think that as to the other groups it would be unfair to think of them as not being sensitive to their members. I don't believe Ernie really meant that. I think that they were more concerned with this small partnership concept. They were disturbed by Walnut Creek. They had a different perspective than Ernie had, who was all by himself up there in Portland, you see.

Chall: And had control.

Link: And had control, yes. [laughs] I don't think he meant to be unfair and I think you could easily get that feeling, that they were more concerned about their own positions than they were about their members, but I don't believe that they were at all disinterested in practicing good medicine, at the expense of their members. I can see why he'd say that, but I think that if he were to discuss it further, he might agree with what I'm saying here.

Chall: I just wanted to get a comment on that statement. Apparently, matters were not totally settled. They were settled contractually by 1958, when both the north and the south agreed to the contracts and everything was working all right on paper. But in the north there were some problems with respect to regional manager of the health plan and hospitals, some concerns that the northern group still had about Dr. Keene's role. The northern group, not liking what was going on, decided to set up a little group in San Diego. That venture--were you in on any of this?

Link: I wasn't in on that either. All I remember is that they actually decided that they'd like to have their own health plan. They went down to San Diego and there was one hospital down there that wasn't doing well at all, and I think they actually got into a contract to buy it. They were persuaded somehow--

Chall: Henry Kaiser persuaded them. [laughs]

Link: [laughs]--Persuaded them that they didn't want it. So, it then became a part of the southern California region.

Chall: You weren't in on all of that?

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*See interview with Ernest Saward, The Kaiser Permanente Medical Care Program, an oral history interview conducted 1985, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1986.

Link: I wasn't in on all of that.

Chall: However, by that time you were on the board.

Link: Yes.

Chall: I just wondered what, of that sort of thing, came to your board in those days? To what extent the board then might take a position.

Link: That was discussed in the board meetings and that's where I would have been aware of it. The board, on that kind of thing, would operate by consensus. In fact, almost everything in the board was done after discussion, and everybody would agree to what we were going to do.

Our board was dominated by Mr. Kaiser and Gene Trefethen, who would listen to people and take people's opinions and form their own opinions, and somehow they'd get it jelled together, and this is the way they would do it.

Let me go back here for a moment. I'm sure you have notes or something in here about the controversy, if you don't you should, about the controversy about whether or not the physicians should have representatives on the board of directors of the hospitals and health plan. You know about the Permanente Services Organizations that were formed as kind of an intermediary and had medical group representation on their boards.

I just wanted to mention that because I think that was an important thing that we did do, that is, reach the decision that the physicians should not be on the hospital and health plan boards. Maybe I covered that in my memorandum here.

Chall: My recollection is that the northern California physicians did, in the early phases of the controversy, when the Working Councils were set up, want representation on the board, but that southern California physicians didn't seem to think that was essential. I thought it was Henry Kaiser who did not want the doctors on the board. Although Dr. Garfield was put on the board and Dr. Keene also, they were in executive/management posts. There is no formal place for doctors on the board of directors.

Link: That's right. I always believed that was inappropriate. My orientation was largely taxes and I thought that it would be damaging from a tax standpoint to have these physicians on the board. That was one of our great arguments in the beginning with the Gardiner Johnson firm, whether or not they could be on the board, or should be on the board. He thought I was wrong. In representing his client of course, he was advocating. [laughs].

Link: I think since then the history of it all from a legal standpoint has demonstrated that we were right in not having physicians on the board. I think that Mr. Kaiser probably had a feeling that physicians should not be on the board for reasons other than legal reasons, but the legal reasons were the ones I was mostly concerned with.

V THE CENTRAL OFFICE

Chall: During that period too, the Central Office was growing. To what extent were you involved at all in the development of the Central Office? That is, what was your role in terms of the Central Office and what is it now? You are a member of the board; the Central Office has become quite large.

Link: On building up the Central Office, I think that's kind of like Topsy--it just grew. I had no real relationship to the building up of the Central Office, but I think it was a necessary outgrowth of the continuity of the organization. We had to raise money. You have to have some central place where you're going to supervise the raising of money. There are many common problems that are faced by the organization.

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Chall: What would a general manager do, or what did Dr. Keene do as manager?

Link: Dr. Keene felt that there needed to be a general manager and he really wanted some kind of a title. I don't think he got a title until 1960 or '61 or someplace around there.

Chall: That's right, about '60.

Link: He used to say, "Make me president of peanut stands or the vice-president of peanut stands or something. Give me a title." And, he didn't have a title. Because they were a large organization and cohesive, you needed, for example, some sort of a central accounting system that could collect the results of the various regions and put them together in a corporate form. Although there were health plan people in each of these areas, they were employees of the health plan that supervised mostly, so you had to have a central office to do many things. The Central Office also could perform services for all regions on a more efficient basis than each one of the regions could do it for themselves.

Link: Decision making and contractual relationships and that sort of thing, between the medical groups and the region, could be made in a region such as Los Angeles or San Francisco--and should, because those were the people that had to work together all the time, had to work out their own destiny under our concept that came out of Tahoe really--that we were going to have regional autonomy. That's a big subject, but regional autonomy I think, has been one of the strengths of the organization since the beginning.

But, you did need a central office. The Central Office just grew as there was a need to have these various services and functions. Today, the Central Office,of course, is much larger than it was in the beginning. It needs to be. It has many supervisory activities over these semi-autonomous regions now. I think the Central Office, through personalities and through necessity, has just gained much more strength than the Central Office was ever really intended to have. But, as personalities in the medical groups themselves have changed, I'm sure they've either become reconciled or have more trust or whatever, and they're not nearly as insistent today that there be nothing between them and the board of directors as they were before.

The Growth of Trust and the Concept of Partnership

Link: The Central Office. I've looked forward to seeing someone sit down and define exactly what the Central Office is, but I don't think anyone has ever quite done that. It's an unusual type of organization because of that. As an example, I don't think that Jim Vohs would replace an important person in the local management without consulting the physician in that area. We wouldn't insist that they do certain things without consultations. And, if they didn't agree to them, unless it was something very very important, I don't think the Central Office would insist that that be done. So, there still is that regional autonomy. Vohs is the president and chairman of the board, but he's not the chairman of the board in the sense that the chairman of the board of a industrial corporation would be.

Chall: Yes, that's right. He sees that?

Link: He sees that. What he really understands and what everybody understands, and you've heard this many times, is that this is a partnership. The Central Office is only the Central Office of half of the organization, so that you don't do things without consulting with your partners. Indeed, I think that's the way it has to be.

Chall: One of the other members, one of the interviewers on the staff said the other day when we were discussing this, that the organization is not a pyramid--it's not a hierarchy like an industry, like General Motors--it's columns. [laughs]

Link: Yes, that's a good way of describing it. You recognize that we're dealing with physicians who are totally professional and independent, and they have a real responsibility for taking care of people. They know how to take care of people, they ought to be doing the job and that's their function. They should then have a lot of voice in what's going on in the total medical program.

Chall: Well, certainly they wouldn't want the health plan side to develop more membership than the doctors felt they could handle.

Link: That's right.

Chall: That was a real sticky point in the Tahoe period and probably is still, except that they know how to work it out.

Link: We have better planning now and we also have more financial resources. The membership down in southern California at one time almost doubled in one year. The people on the financial side, they were delighted. The physicians, of course, were screaming. It got worked out, but it's true that you can't take on more members than you can take care of. You have to arrive at some plan. Now, in these days, we may wish we had more members than we have, but they haven't come yet. It may come that we're scrambling for members.

Chall: That's because of the competition?

Link: The competition that comes along, and the kind of patients that they have. Does a physician have to--can they refuse to treat a patient simply because he's a member, and that kind of thing, just has to be up to the physician.

Chall: I guess if the organization has a strong enough base of trust, then these problems can be worked out mutually. You hope.

Link: Yes, and I think we've demonstrated that they have been. Although we were very close not to be able to do it, it did work out. I believe it's worked out very well, but the reason it's worked out very well is because people wanted to make it work. I think today we feel we have to make it work. I don't know what we would do if the doctors said, "Hell with it." I don't know what they'd do if we said, "To hell with it." So, we have to be pulling together.

Chall: There's a whole other approach to medical care now, which in many ways looks towards the Kaiser Permanente plan as one of models. One of my friends told me the other day that his son, who is a doctor, has never known any other medical arrangement except Kaiser because he went all through it as a little boy into adulthood. Now he's a resident in the Kaiser program. He doesn't know anything else. He's satisfied, and that's where he'll probably end up having his whole medical practice. At the moment, that's what he thinks he will do.

Link: That's interesting.

Chall: But, I hadn't thought about it from the standpoint that his father told me the other day. This is all he knows about medicine. [laughs]

Link: [laughs] That's the first I've heard of a story like that.

Chall: Yes, and there may be others coming up that way too, born since 1945-1946.

Link: There could easily be lots of them, I know.

VI THE BOARD OF DIRECTORS

Chall: I wanted to ask you about the board of directors. You said you went on in 1955. From 1955 until '62, it was almost entirely Kaiser people.

Link: It was entirely Kaiser people. Then, I think George Woods became a member of the board.

Chall: Can you tell me how it came about? How it happened that he was appointed? That's a bit of history I don't have.

Link: George Woods had been a director of Kaiser Industries Corporation. He was also very helpful to Mr. Kaiser when we had a debacle in 1948 or '49 in the financing of one of the industrial companies. He was the chairman of the board of the First Boston Corporation. He'd been in Kaiser Industries Corporation and on the board of Kaiser Steel I think--maybe all of the Kaiser companies.

Chall: I see; he wasn't really an outsider at all, was he?

Link: Not really. [laughs] At this point, he became, and maybe my timing is all off, but I'm pretty sure it's right, he became the chairman of the World Bank. As chairman of the World Bank, he couldn't have any industrial relationships, but he could be related to nonprofit corporations. I think that's the reason. He had to get off the boards of the other Kaiser companies. He wanted to retain his association with the Kaisers, so he became a member of the Kaiser hospital board or the Kaiser health plan.

Chall: I see, the hospital/health plan board, your primary board there.

Link: That was it.

Chall: Was it the plan of the board at the time to bring somebody in from the outside, or did they just do it--

Link: I think it was just to accommodate George Woods.

Subsequently, there were decisions that we should broaden the base of the membership on the board of directors. I'm not just positive who the next one was.

Chall: Let's see what I have here.

Link: One of the very early ones was Dr. Robert Glaser.

Chall: Let's see, I have Dr. Glaser here. [checking notes] In 1967, Dr. Glaser came on.

Link: I don't know. I wish I had those papers.

Chall: I'll get them because I do have a list of members from '60 through '83. I have nothing in my notes between '62 and '67, when I do have Dr. [Robert] Glaser, who was a vice-president of medical affairs at Stanford University at that time. Now I think he's the head of the Kaiser Family Foundation, isn't he?

Link: He's changed. He became the head of the family foundation, but since then they've changed their composition on their board quite a bit. Glaser is now the head of some other foundation which was established by a lady down in Florida, again related to medical care.

Chall: He's no longer with Kaiser?

Link: He's no longer with Kaiser.

Chall: What about his coming on to the board? By that time had you established, do you think, the outside board membership?

Link: Oh yes, I think we'd definitely established at this point that there would be outside people.

Chall: How did that come about? Was that because nonprofits have to have somebody from the outside?

Link: No. I think it was that we felt that we should have a broader representation of the public generally on the board. There are a lot of different philosophies about the composition of boards and so forth, but I believe we consciously decided that we should have persons that were not as closely identified with Kaiser as we all were. I was, as I told you before, I was neither an insider nor an outsider, I was kind of an inbetweener all the way. I never knew where I stood. Sometimes I was outside, sometimes I was inside. [laughs]

Kaiser Foundation Hospitals - Kaiser Foundation Health Plan Board Meeting, Oakland, 1968.

Chall: [laughs] I noticed that Paul Marrin was on the board at one time.

Link: He was my senior partner and we were both on the board for quite a number of years. There is a policy, and it was adopted some years ago, that you must retire when you're seventy years old. There was a lap-over period, so I can't be sure whether he retired when he was seventy or seventy-two, but he retired from the board.

Chall: I see, that's the policy of the board on age?

Link: On age. On persons that are employees, like Carl Berner or Barney [Bernard] Rhodes, board members that are also employees of the hospital corporation, they are required to retire at sixty-five, or when they retire from the corporation. There's a little question now as to when this happens, but when the policy was established, they were to retire at sixty-five. They might be invited to hold over, as was Art Weissman and also as was Cliff Keene. They held over after their retirement.

Chall: Held over on--?

Link: Held over on the board, stayed on the board.

Chall: On the board, but not on the staff?

Link: Not on the staff. So, Paul Marrin retired whenever he became seventy or seventy-two.

Chall: There are no terms of office for the board members? It's a matter of age rather than length of service?

Link: We have no terms of office at all, except that you must be reelected and you stay in office until your successor is elected. The by-laws provide for annual elections. We do have an election next Wednesday. We'll have an election of board members and they'll be reelected, but there are not terms of office. Some corporations have staggered terms and they also have limitations on how long that you can be on, but we have none of those restraints.

Chall: And you're not required to?

Link: No.

Chall: At one time, I think Mary Bunting, who was the president of Radcliffe College, was on your board for a while. [1969-1979]

Link: She was president of Radcliffe College and she was also on the Atomic Energy Commission. I'm not sure whether she was the chairman of the Atomic Energy Commission or not, but she was also on there as a board member. I suspect that since she was our first female member, that may have had something to do with it as well.

Chall: She had to have another position besides being a female?

Link: Yes.

Chall: She was the token female?

Link: I hate these things Mrs. Chall, I really do. [laughs]

Chall: [laughs] You have to admit--

Link: I hate tokens and quotas and all of that sort of thing, but if you had to find a female, certainly Polly Bunting was a very good person. She was a good board member and understood what we were trying to do, so she was a great female. [laughs]

Chall: [laughs] Are there any on now? I haven't noticed.

Link: Yes, we have two. We have Dr. Reres, Mary Reres, who was the dean of the School of Nursing at UCLA. I think that she's now resigned from that job and doesn't know what she wants to do. And, a lady, who happens to be a black lady, Nancy Hicks Maynard, who is the wife of the publisher of the Tribune. So, those are our current lady members, unless I'm missing some. I don't even know if that's right.

Chall: I can always look it up. We have the material.*

As the Kaisers, themselves, Henry and Edgar, and other former Kaiser industry people have left the board, has the feeling within the board changed in any way?

Link: I think that the board of the hospitals and health plan have always been supportive boards of the management. In the beginning, they were essentially the same. The Kaisers managed

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*Mr. Link is correct.

Link: the organization, so they'd obviously be supportive. I think the boards today are still supportive of management and it's a collegial thing almost, on the board, but not really as much as it was before. Any board of directors has to rely on management a great deal and if you don't support management, then you change management, you get rid of them. I think this board that exists today could get rid of management. I think that if they felt that the management was very poor, then indeed, they would get rid of the management. In that sense it's changed.

I think there's probably more discussion of the major problems that we face from time to time at the board meetings, than there was when Henry and Edgar and Gene would get together, and possibly Keene, and would decide what ought to be done and would get it done. So, I think there's more discussion. The board probably has more influence today than it did before because of its independence. But, essentially it's a supportive board and consequently, management really runs the business.

I can't remember at any time, up to this day, something that was recommended by management that wasn't adopted by the board. We are going to, as you know, going to consider this question of whether or not we take over HIP [Health Insurance Plan] and we'll be discussing that Wednesday. I don't know whether this consistency is going to follow. It may be that the board will decide, "To heck with New York." I'm not even sure whether management is going to recommend that we go to New York. That will be thoroughly discussed at this meeting.

Chall: As an example of the way the board works, the whole matter of taking over HIP must have come to them from the Central Office--somewhere in management.

Link: This is the second or third time it's come.

Chall: I would assume that the Kaiser Permanente Committee would have gone over this carefully because isn't that one of their roles in terms of extensions?

Link: If they haven't, it's only because of lack of time that they haven't done it.

Chall: Oh really? What would be the time pressure?

Link: That again, I don't know. I heard about this about two months ago. Excuse me, they have discussed it, I know that.

Chall: The Kai Perm Committee [Kaiser Permanente Committee]?

Link: The Kai Perm Committee because they approved the exploration of the idea. Whether they've done anything more than to approve the exploration of the idea, I don't know, but it certainly has been discussed with them. They said, "Go ahead and look at it."

Chall: Did they appoint somebody to go ahead and look at it, or is that being done by the Central Office?

Link: So far as I know, the Central Office is doing it. It could have been that in saying to explore it, they have also said we think that so and so and so and so should be involved in it. It may be that they did indeed suggest a physician to be involved in the investigation of HIP.

Chall: Because they're on this Kai Perm Committee and would be concerned?

Link: Right.

Chall: I'm just trying to see what the process is now. Then what happened to it?

Link: If the Kaiser Permanente Committee--I'm sure this will go to the Kaiser Permanente Committee eventually--if they recommend that we go ahead with it, then it would come to the board of directors of the Kaiser Foundation Hospitals and Health Plan. Then, that organization would have the recommendation of the Kai Perm Committee, and then they would decide independently--management would bring it to them and present it. Then, they would decide independently whether or not they thought that this should go ahead.

If, on the other hand, the Kaiser Permanente Committee recommended against it, I think it would stop. I don't think that we would do anything that they were inalterably opposed to because of this partnership concept.

Chall: The Kai Perm Committee is really an essential part of the management?

Link: On many of the management decisions, yes.

Chall: It took the place of the other regional committees and various other things that had been set up, that didn't work?

Link: That didn't really work. This committee has consistently expanded its function. Again, from my perspective, I think it's an extremely valuable portion of the whole program.

Chall: I see. You say that when you meet as a board on Wednesday you're going to be taking up this matter of HIP. Has an agenda been sent to board members with material to read?

Link: No, we haven't.

Chall: How do you know what's coming up?

Link: I have a lot of material to go over that I have to read. But we have a letter that was sent to us some weeks ago by Jim Vohs. To back up a bit--we normally have before each board meeting, a day before, an afternoon session that we call an enrichment session, which is a session in which there are presentations made to us of various phases of the program, to keep the directors informed of what's going on. Many of them don't understand what the program's all about initially, and it's kind of an educational session for everybody. We discuss whether we should have committees and all sorts of subjects.

The enrichment session was cancelled for this meeting according to Jim's letter and it will be replaced by a discussion of the HIP thing. In this letter, we see there was no recommendation. Except, that's where I learned that the Kai-Perm had agreed to exploring the matter further and that indeed Jim was having meetings with his counterpart in New York. "For goodness sakes, don't tell anybody about it." It's in the newspapers the next day.

Chall: [laughs] That's right. I saw it.

Link: But, we were not sent, for this board meeting, any kind of material to review before the meeting on Wednesday.

Chall: Maybe that was to continue to keep it private.

Link: Quiet. I don't know.

Chall: But, generally you do have an agenda and materials to read?

Link: We do have an agenda. This is the agenda for the meetings. [shows Mrs. Chall] We have a president's report, executive vice-president's report, report on membership, financial report. This is an important thing to know too: Each of the regions has an opportunity to tell the board what's happened in their region that's significant to them, and what they think we'd like to know about. Anyway, we have several reports that will be made--essentially management reports.

Link: Then, they have a separate agenda for each meeting. Here's where we're going to elect the board of directors again. And, buy properties and that sort of thing.

Chall: How much time do you spend in a meeting? You have the day before, it's enrichment--

Link: The day before, and generally speaking we start at 8:30 a.m. and hope to be through by 1:00 p.m.

Chall: My, with an agenda to cover like this?

Link: We've come to decide that that's too short, and so it will be a full day's meeting Wednesday.

Planning for Additional Facilities: The Facilities Committee##

Link: We have a report to the board, which is a written report on the facilities program that is being conducted.

Chall: That's all of the regions including Cleveland and Denver and the rest?

Link: Cleveland and Denver and all of them. They've got the total, I don't know how many. Anyway, we've got over a billion dollars worth or work either underway or approved.

Chall: Is that so? Building new clinics and new hospitals?

Link: Building new clinics and new hospitals, and also some acquisition of land for those facilities. There's a Facilities Committee of the board that meets six or seven times a year in various regions, that goes around and looks at the facilities and discusses with the regions what their programs are, what the projections of new membership are, how they balance between hospital beds and medical offices. Do they have their offices in the right place? Where are we going to build the next hospital, and that sort of thing. They're very very sophisticated in being able to analyze where their membership is going to be, and the changes and the needs of their membership. That's something that always amazes me: You don't need the same kind of treatment because something's happened that has eliminated the need for that. You don't need as many hospitals beds because you really don't hospitalize people as long as you have outpatient surgery.

Link: So, there are all changes like that, that are taken into consideration in constructing these facilities and planning facilities. They're very good at it.

Chall: How far ahead are you? At one time there was a five-year lag?

Link: Generally, what they try to go is to have a ten-year plan and update it each year. So, as you look forward, you have some notion of where you're going to be. But, there's a substantial lag between deciding to put a hospital in, say, south Sacramento and getting it there. It takes maybe five years to plan it and to build it.

Chall: In the meantime, in this day and age, things have changed rapidly. Are hospitals being built so that they can be utilized in different ways now? I'm thinking for example, the difference between regular care, which as we say is no longer used as much in hospitals, and the need, as the population grows older, for skilled nursing care centers and extended care. Whether that could be done, to what extent that could be taken over by the Kaiser hospital facilties in its plan?

Link: We don't have many extended care facilities, but I'm sure that they're thinking about it. Mostly what's happened is that we find the need for more sophisticated beds in the hospitals. We have more intensive care units and cardiac care units and that sort of thing in the hospitals; but we're just not building as many beds. We're changing the characteristic of beds in some hospitals.

We're spending one hundred million dollars in making some revisions in Fontana, which is one of our medical centers in southern California, but we're not adding one single bed. It just indicates that the delivery of care is different. We do need more medical offices out there in relationship to the beds, so we're building more medical offices. We're building an out-patient surgery, but there's not one single bed being added to that complex.

Chall: That's a very important way to work it out.

Link: It's a change, it's a tremendous change.

Chall: It is a change, but instead of closing a hospital or razing it, you can revise. There's enough flexibility? By luck?

Link: Well, ingenuity and luck, and all sorts of other things. [laughs]

Chall: [laughs] Creative planning?

Link: That sort of thing. No one can really forecast what's going to happen in the practice of medicine. We may give up the Richmond Hospital that we have, but if we do, that will be the first hospital we've ever really given up.

Chall: What would take its place?

Link: We're going to build a new one in Richmond, whether we need it or not.

Chall: [laughs]

Link: We may not need it, because we have beds that we could use elsewhere, in Vallejo and in Oakland. But many people feel that if you're committed to a community, you ought to stay there. So, we try to take care of the community.

Chall: How much dovetailing, for example, is there between the Facilities Committee with the medical people? Or has that been done on the ground before you get there?

Link: That's done on the ground before we get there. Each of the regions has more or less, depending upon their size, a sophisticated group of people that are planning people. They work out their plans with the physicians and the regional manager. The medical director in each region and the regional manager have to finally approve the plans of the expansion or for whatever is going to be built. I'm sure they have rules so that they don't approve every last item, but they operate within their own rules.

The Facilities Committee, then, is presented a program, and the board of directors is presented a program as to what they're going to do. We try to examine the rationality of it and supervise it. But again, it's a supervisory sort of thing, but we do spend time on it.

Chall: You could veto, I guess, some things, because it does involve a lot of money.

Link: Oh yes, and sometimes we do have some comments and eventually some of those comments are accepted and adopted. But, you must rely on people because they're on the ground and know what in the world they're doing.

Chall: What else do you do on your board? You have a lot of material, beautifully printed and organized too.

The Community Service Program

Link: They put it together very nicely. We have the Community Service Program which we started out maintaining mostly for tax purposes. We probably don't have to do it for tax purposes anymore, but we do maintain this Community Service Program. We spend something like thirty million dollars a year on it.

Chall: That used to be charity did it not? What else?

Link: It used to be charity. We call it community service now. In the beginning, the primary effort was to take care of people in the hospitals, that's what we thought of as our charitable activity.

Chall: I see, the people who didn't belong to the plan?

Link: Didn't belong to the plan, or people whose--we wouldn't have any of those today probably--but people whose time had run out under the plan. We continued to take care of them and we'd say we'll do that free. But, virtually everybody is covered by some kind of a plan and the need for charitable care has really diminished. So, out of our thirty-nine million dollars, we have five million for charitable care which would essentially be taking care of indigent people. They define them as medically indigent. We think of people that can be cared for in public hospitals and county hospitals and that sort of thing, they're not medically indigent because they have a place to get their care. We find that medical care can be extremely expensive, and some people aren't qualified to go to places like that, so those are the people we call medically indigent.

We have medical libraries that we maintain and we have extensive professional educational programs.

Chall: I see, it all comes under this umbrella of community--

Link: Of community service.

Chall: Your research programs? Do you have funding for research?

Link: We have research programs. Some of them are clinical research programs, or programs that are run by individual physicians that are interested in something. Those are very important to our program generally, because it gives the physicians an opportunity to do something they want to do. They like the program from that standpoint.

Link: We have training programs. We have scholarships and grants, a total of some three million dollars this year.

Chall: Scholarships and grants? What's the purpose of those and who gets them?

Link: We feel that we should support communities where we are. These grants, some of them this year are going to Duke University and the medical school in Atlanta. We're going to go down there to do business and we're just making them a grant. We made substantial grants to the University of California, to UCLA, to Stanford.

Chall: For certain kinds of research purposes?

Link: Mostly for professorships and that sort of thing. We do have a research organization ourselves that we do some research in, but I think most of our grants are for either general community service--we contribute to Community Chest, we do things that normally a good corporate citizen would do. In addition to that, we do a lot of other things.

Chall: I see. Is there a subcommittee in charge of this?

Link: No, this is management. The report is part of this agenda. As you can see, it's well prepared. I don't think there's much doubt that a lot of it will be accepted and adopted by the board. These are the individual physicians that are getting grants. The resident and intern training program comes out of this as well. Not all of our hospitals have that.

Quality Assurance: The Quality of Care Committee

Link: The final thing we have at this board meeting is a report on quality assurance in our various hospitals.

Chall: How is that handled? It comes to your board for what purpose?

Link: Legally, it has to come to the board because the board is ultimately responsible for quality assurance. Quality assurance is one of the most difficult things we have. This is in the hospitals. There's a joint committee--it's a committee of the medical organizations generally throughout the United States.

Chall: Accreditation?

Link: Accreditation Committee. They survey all of our hospitals for quality assurance as well as for physical properties and that sort of thing. The hospital corporation is really concerned with them. The clinics themselves, of course, are the doctors' operation. They take care of ambulatory patients that don't get into the hospital. As a consequence, there's some question of whether or not our board, our hospital/health plan board, should be concerned about the quality of care in those clinics as much as they are with the hospitals. We are, and we're trying gradually to convince the physicians that we do have a right. Interestingly enough, where we don't have a hospital, we do have quality assurance meetings with the physicians in the non-hospital regions. They're really convinced of it, but--

Chall: How does this come to the board? What's the route by which this kind of thing comes?

Link: These reports are made by each of the hospitals. The administrator of the hospital makes a report. These are simply summaries.

Chall: How often do they come?

Link: They come in once a year. The board is concerned about quality assurance and so the board has formed a committee on Quality of Care. That committee on Quality of Care has only been in existence for about a year, a year and a half. It was a committee that was formed, perhaps not out of necessity--I don't think there was any real necessity about forming the committee--but people felt more assured that it would be better if someone looked more directly and closely at this problem of quality of care. That was formed about a year ago and, fortunately or unfortunately, I'm also a member of that committee, which is interesting and difficult.

Chall: You have some challenge.

Link: This really is a challenge. It's a challenge because you really don't know what in the world you're doing. We're still in the learning process. That committee meets five or six times a year in the regions, and discusses issues of quality of care and what kinds of quality assurance activities the regions are carrying on. These meetings generally have mostly physicians presenting the matters. The hospital administrators are involved as well, but mostly the physicians are the people that report at these meetings. So far we've been to every region I think, except Hawaii. We've discussed it with every region, but some of them come into Oakland to talk to us about their quality assurance program.

Link: We're beginning to learn and, as we get into it more deeply, perhaps we'll review these reports and ask the local people specific questions as to what they're doing about this and that. They'll tell us things and we try to understand and to try to stimulate them. Then, after a meeting, we write back a letter, "We'd like to know more about this," or "We think you're doing great about this particular thing." I'm finding that they are getting more people--I don't know if they're doing a better job--but they're getting more people concerned about the quality of care than they have heretofore.

Chall: Are some issues presented because they've come to a head and you find out about it, within a hospital or within a region? Do you get complaints from patients? How do some of these problems come up?

Link: The problems--they never come up to the committee in that way, but they'll come up to the local administrators. The physicians themselves have a lot of peer review in which they review the activity of their own people. They have what they call generic screens. They must be very skillful in developing these; I don't really know how they're developed, but they have various things that they check on. If they have too many repeats on x-rays, they'll think, "Maybe there is something here that isn't working properly." Re-admissions to the hospital, "Why is there a re-admission?" "Why does a person have to be taken back to surgery?" They have checkpoints that they constantly review. That's the way a lot of the quality assurance problems arise. They know they have a problem and they start trying to do something about it.

They really, I think, have been doing and are continuing to do a good job. They may be documenting their work a little better now than they have in the past, but I think their concerns with quality have always been very very high.

Chall: That's one of the greatest criticisms from the outside, whether it's justified or not, there are doctors on the outside who say, "You're not going to get good care if you go to Kaiser." With the competition getting to be rather fierce, you want to be sure that that's not just an aspect of the old hostility.

Link: We can't convince anybody of the quality of care. I think all of the studies that we've ever seen have said our quality is as good as anybody's and maybe better. We're not going to be able to convince anybody of that. We want to be sure of it ourselves. That's good from a business standpoint, from exposure and all sorts of things.

Link: There is also quality of service. We distinguish between quality of care and quality of service. Quality of service is something that you can observe. I don't think the average person could observe good medical care. You may be able to, but that's much more difficult for you to perceive, than is quality of service, as to whether you're treated nicely or whether things are clean and that sort of thing.

Chall: You're concerned with quality of care?

Link: We're concerned with quality of care. Ultimately, maybe we'll get over into service, but what we're immediately concerned about is quality of care.

Chall: Has that something to do with the finances?

Link: It certainly has financial implications, but I think that the real impetus is that we want to be a high quality of care organization. I think that's the real impetus of it. Obviously, if you have high quality of care, you're going to have fewer claims of malpractice, or you should have fewer claims of malpractice. So that good care and quality care is cheap care in that respect.

Chall: Are there problems with malpractice? Is that something that brought about this committee? Was there more of that than usual?

Link: No, we've had some publicity of that, but I don't think we have any more than is outside of our program. It's difficult to really get a handle on how much is outside and how much is inside and all of that sort of thing, but I don't think we have any major problem with malpractice.

Chall: It's just really being assured that you're giving good quality of care?

Link: It's an effort to run a good program. That's the main consideration for it.

Chall: Greer Williams, in his little history here, writes that there are two organizations, the Kaiser Foundation Hospitals and the Kaiser Foundation Health Plan, and they are governed by two boards with a common membership.* Is your agenda concerned with both facets of the program?

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*Williams, Kaiser-Permanente Health Plan, 11-12.

Link: Actually, we have an agenda for each of the organizations, plus several more. We have a Health Plan of the Northwest. We have a Health Plan of Colorado and a Health Plan of Ohio, and then a number of other subsidiaries that we also have meetings on. The two major ones are Hospitals and Health Plan, but we also have meetings on these lesser boards.

Chall: How often do you meet?

Link: We meet three times a year.

Chall: That's all?

Link: That's all.

Other Committees of the Board

Chall: So, your committee meetings are very important then.

Link: The committee meetings are very important, yes. In addition, these two committees I've mentioned, the Facilities Committee and the Quality of Care Committee, are the two most active committees.

We also have a Board Composition Committee that selects the members of the board to be nominated and also selects the members of the committees, largely I think with the suggestions of management. They've been distilled out and so forth.

We have a Conflicts of Interest Committee to make sure that no board member and no employee has a conflict of interest that's not resolvable.

There's an Executive Committee that does things that have to be done between meetings. They don't function very often. Most of the things can be done at the board meetings and they are, but there is an Executive Committee if it's necessary. Mostly they deal with purchases of property where there are deadlines that have to be met.

We have an Audit Committee and an Early Retirement Committee.* We have a number of committees of the board that function at times other than the board meetings.

---

*Officially the Full Early Retirement Committee.

Chall: Yes, with a major organization of this kind, you just about have to work with committees.

Link: We have, I think, every committee that an industrial company would have, plus the Facilities Committee and the Quality of Care Committee. Those are the two committees I think, that would be unique to our organization, but other than that we run pretty much like any other company.

Chall: You've certainly given me a lot of information.

Link: A lot of this, of course, isn't really pertinent to the pre-'70 period.

Chall: No, but I think it would be necessary to know because it's part of seeing the development.

Link: Right.

VII THE CONCEPT OF REGIONALISM

Chall: We have a few minutes left. I just wondered whether, as you look over your material or some of mine, it will bring something to mind that maybe you'd like to say that I haven't covered. I'm sure there is. I don't know exactly where you were in all of this history. There are some people who were in the midst of it all and there are others who weren't.

Link: I think the one thing that is still, and continues to be, important are these regional concepts. To a degree, regional concepts have inhibited our expansion. The physicians, as well as the administrative people in each region, of course, feel that the money that's generated in this region, really belongs to the members. As a consequence, do we really have a right to take that money and spend it someplace else in the development of another region? We resolved that as you know. We do have an expansion program and we are expanding, but that was after very careful and difficult considerations between the physicians and the management of the hospitals and health plan.

Chall: Was that resolved by the arrangement to tack on a few cents more to each member?

Link: That was in the late fifties I guess.

Chall: I see, when you started to expand into Denver and Cleveland, places like that.

Link: That's when we got a substantial amount of support from the [Kaiser] Family Foundation. They granted three million dollars as I recall and loaned three million dollars to the organization.

Chall: Then how was it resolved beyond that?

Link: More subsequently, it's been resolved by agreements. The physicians have become less polarized in that feeling. I believe what they feel is the same thing that I feel, really the total strength of the organization requires some expansion, that you have to make places for new jobs where people can develop and go on. It's a stimulating effect with an organization, when it expands to reasonable places. So, I think it's more of an accepted thing. The Kai Perm Committee arrived at an agreement that there could be an expansion before it came to the board, and the board felt that there logically should be an expansion.

Chall: I see. The Kai Perm Committee serves to screen out proposals of where you're going and understands it, so you're not just going any old place?

Link: Yes, they have standards. They had an advisory corporation for a while that's run out of work so we daren't keep that going. But it was doing a similar type of work for other people. So we had some expertise and some experience in selecting regions. But again, they're working together on it.

Chall: The teamwork approach has been working.

Link: It really has. I think Mr. Kaiser was not as strong on this as were Edgar and Gene Trefethen--they just should not employ the doctors. I think Mr. Kaiser felt maybe they were his employees. In that respect, he was clearly wrong. I don't think we could ever have done this if we had tried to employ the doctors. They wouldn't have been happy, I just don't think it would have worked nearly as well.

Chall: It seems to be working. We'll be watching the developments to see what happens.

Link: It's going to be interesting.

Chall: Thank you for your time and a very informative interview.

Transcriber: Lisa Grossman
Final Typist: Anne Schofield

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APPENDIX

Dear Doctor:

I know that some - but not all of you - know the full story of our health plan and the parts played by many people in building it to what it now is. To me - it all started in 1938 when Dr. Garfield came to Grand Coulee and working with my son Edgar started a prepaid medical care plan for the men building the Dam. It was there also that the idea was born to include the families in the plan. These early experiences showed that there were sound principles for the operation of a prepayment plan which could provide excellent medical care at low cost to the patient. This plan was further tested and proved in the shipyards. I think all of you are familiar with our growth thereafter.

No goal of my life has ever risen above my desire to bring such care to the people. A number of you know my deep personal reasons for wanting to do this. I think you also know the intense personal interest and pride which a number of the people in the Kaiser organization have taken in the growth and success of the health plan in serving a great need of hundreds of thousands of people.

I am writing to you because it has recently become clear to me that the medical groups believe that the help which we are able to render is no longer needed. We have been told that the doctors desire to assume complete management of the health plan and hospitals in addition to their responsibility to provide professional services to patients.

We have assumed great responsibility in providing and arranging the financing of this medical care program - not merely to banks - but to public corporations and individuals from whom we have accepted donations of

large sums of money. We think even greater is our responsibility to the public which believes that we are determined and possess the strength to aid programs of medical care not merely by financial support but also to defend them against the attacks of certain elements within organized medicine, competitive systems and even antagonistic political forces. We believe our efforts in these matters on behalf of the plan have been a major element in making it succeed.

Recognition of these contributions on our part certainly takes nothing away from what the doctors have done, for without your having performed outstanding work in medical care, the plan could never have succeeded.

It is unfortunate that some of you appear to have failed to realize the full measure that others have given to make your present success possible. My regret at this lack of understanding is more than compensated for by my knowledge of the good we have done together for the people.

The desire of your medical group to carry on alone in the future is certainly based on your confidence in your ability to do so. As to the Foundation's future plans, you can understand that it would not be consistent with our non-profit charitable principles and what we deem our public responsibility arising therefrom to be for us to participate in any further expansion with the present medical groups, which though profit making entities desire to control all operations. We shall continue to work in all ways open to us to help the American people get more and better medical care.

The desire of your medical groups to operate the health plan and the hospitals in complete independence of us can be achieved, in view of the Foundation's principles and responsibilities, only by turning over to you the facilities you are now using which are owned by the Kaiser Foundation charitable and non-profit institutions.

I have talked with the other Trustees and we are all willing to do this. However, there are two things you must do to make it possible. First, you need to make certain financial arrangements with the Banks and others to whom the Kaiser Foundation institutions have become indebted to aid in providing the present facilities. These arrangements must be such as to assure me personally and our Trustees that we shall have no further legal or moral responsibility on account of such indebtedness.

Secondly, you need to make such financial arrangements as will assure that the fair value of those assets now owned by the Kaiser Foundation institutions which would be taken over by the medical group will be paid to these institutions in such time and fashion (or "within a reasonable period of time such as six months") that these funds which are a public trust will be available to the Kaiser Foundation to use in carrying out its objectives.

We can all be proud of having been a part of making possible what exists today and in giving Sid (Dr. Garfield?) an opportunity to develop a great plan for the people. What exists today is providing a real service in meeting human needs - all of us want to preserve it. I view the desire of the medical groups to stand alone as a sign of your maturity. Your ability to go forward in this manner will free us to go forward with other work that is in our hearts to be done.

I believe it is in the public interest that we seek the most immediate completion possible of the change in our relationship so that we may each go forward with our respective tasks.

Memorandum from Henry J. Kaiser, Jr. 7/20/55

1. The Kaiser Foundation Health Plan and Hospitals and the Permanente Medical Groups have grown to the point that today their activities encompass the following:

13 Hospitals
30 Outpatient Medical Centers (clinics)
500,000 Members
500 Doctors

2. Because of this tremendous growth a study has been conducted over the past six months by the Foundation Trustees, the representatives of the Medical Groups and other executives of the various health organizations looking to strengthening the organizational structure and bringing about the most effective coordination of efforts to provide Health Plan members with the best possible health services at reasonable costs.

3. As result, an Advisory Council has been formed, comprised of key Trustees of the Health Plan, Directors of the Hospitals and representatives of the several Medical Groups to coordinate administrative and operational functions in the overall health program. This is a teamwork council. The members of this Advisory Council are the following:

Messrs.	Henry J. Kaiser	Doctors	A. LaMont Baritell
	Edgar F. Kaiser		Morris F. Collen
	E. E. Trefethen, Jr.		Cecil C. Cutting
	George Link		Raymond M. Kay
Doctors	Sidney R. Garfield		J. Wallace Neighbor
	Clifford H. Keene		Ernest W. Saward
			Frederick H. Scharles
			Herman Weiner

4. Regional Management Teams, with representatives of the Medical Group, Health Plan and Hospitals, likewise have been formed in each of the regions in which the health program operates, namely for Northern California, Southern California and the Washington-Oregon region. The regional teams will serve as a coordinating or teamwork body for activities of the various health organization entities within a region, and will receive assistance from the overall Advisory Council.

5. The above strengthening of the organizational structure and delegation of teamwork responsibilities will permit Dr. Sidney R. Garfield to concentrate on further development, and will permit Dr. Clifford Keene to devote more time to assisting E. E. Trefethen, Jr., Chairman of the Advisory Group. Dr. Keene will move his office to the Kaiser Building to work directly with Mr. Trefethen.

6. These organizational developments, which will strengthen and coordinate the health program, represent an internal knitting together of responsibilities of a growing organization, and we have not felt that the establishment of the Advisory Council and Regional Teams called for the issuance of a press release. However, should you receive any inquiries from any members of the press, please refer them to me and tell them I will give them the information.

BIOGRAPHICAL DATA

GEORGE E. LINK

Born May 17, 1917, Pasadena, California.

Educated, Pasadena public schools; University of California; and the University of California Hastings College of Law; J.D. 1941.

Married Blayne E. Hopkins, June 18, 1939. Children, Barbara Blayne, Jonathan Hopkins, Mary Margaret and Russell Edward.

1941 - 1944, attorney in the office of the Chief Counsel of the Internal Revenue Service.

1944 - 1945, United States Army Infantry.

1946, practice of law in San Francisco with the firm of Thelen, Marrin, Johnson & Bridges, of which he is now a partner.

Board member since 1955.

George E. Link is a senior partner of the San Francisco law firm of Thelen, Marrin, Johnson & Bridges, a firm he has been with since 1946. His law degree is from Hastings College of Law at the University of California at Berkeley where he also did his undergraduate work. He is a member of the American, California, and San Francisco Bar Associations.

11-81

KAISER FOUNDATION MEDICAL CARE PROGRAM - BIOGRAPHICAL DATA

te March 16, 1976 Name George (First) E. (Middle) Link (Last)

dress 405 Davis Court, Apt. 2207, San Francisco, California 94111

rth Date May 17, 1917 Place Pasadena, California

rried Oct. 10, 1972 Spouse's Name Thelma M. (former wife - Blayne E.)

mes and Birth Dates of Children:

arbara B. Durigan July 3, 1942 Mary M. Means December 12, 1949

onathan H. Link January 18, 1944 Russell E. Link January 22, 1954

rly Schooling Pasadena City Schools

llege or University University of California Berkeley, California Years 2 Degree -- Date 1938

ea of Study General

ofessional Education Hastings College of Law (University of California)
J.D. Degree - 1941

holastic Honors, Offices, or Activities

litary Experience and Dates of Service 1944-1945 U.S. Army - Infantry

litary Honors or Special Duties

ofessional, Civic or Fraternal Organizations
San Francisco Bar Association
California Bar Association
American Bar Association

rsonal Interests or Activities

Title at Present Time Director

Present Work Location

When did you join Kaiser-Permanente and in what capacity? 1955 - Director

List major positions by year:

Year	Title	Location

List major projects or unusual duties during above time

General Legal Practice

Director, Kaiser Industries Corporation

Director, Paragon Vineyard Co., Inc.

Occupational experience prior to joining the Medical Care Program:

Year	Title/Company	Location
1941-1944	Special Attorney; Internal Revenue Service	Washington, D.C.
1944-1945	Private, United States Army	Various
1946-	Partner, Thelen, Marrin, Johnson & Bridges	San Francisco, CA.

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Malca Chall

Graduated from Reed College in 1942 with a B.A. degree, and from the State University of Iowa in 1943 with an M.A. degree in Political Science.

Wage Rate Analyst with the Twelfth Regional War Labor Board, 1943-1945, specializing in agriculture and services. Research and writing in the New York public relations firm of Edward L. Bernays, 1946-1947, and research and statistics for the Oakland Area Community Chest and Council of Social Agencies 1948-1951.

Active in community affairs as a director and past president of the League of Women Voters of the Hayward Area specializing in state and local government; on county-wide committees in the field of mental health; on election campaign committees for school tax and bond measures, and candidates for school board and state legislature.

Employed in 1967 by the Regional Oral History Office interviewing in fields of agriculture and water resources. Project director, Suffragists Project, California Women Political Leaders Project, and Land-Use Planning Project.